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CANADA'S

WEEKLY NEWSMAGAZINE

Maclean's

JANUARY 27, 1997

SPECIAL ISSUE

THE **BEST** AND **WORST** **MUTUAL** **FUNDS**

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Best and worst mutual funds

RBCP's season is in full swing, and Canadian investors are shovelling an estimated \$2 billion a week into mutual funds. In a special 16-page report, Macleans's rates the best and worst funds and presents the findings of an exclusive national poll of investors.



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With a federal decision on the horizon, Defence Minister Doug Young pulls the plug on the Somalia inquiry—and faces charges of political interference



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The healing touch

Critics dismiss it as "voodoo," but a controversial treatment for pain, fatigue and other problems is gaining popularity



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Back on the peace path

After months of warring, Israel and the Palestinians finally reach a deal on Hebron that keeps the peace process alive

From The Editor

Changes at Maclean's



The early weeks of the new year mark a season of change at the magazine. Several new features are being introduced to enhance the existing mix of news sections. In the lead, there will be a new biweekly national affairs column called *Backstage* by Anthony Wilson-Smith, coauthor of a best-selling book on the Liberal government, and for the past seven years, bureau chief and Ottawa editor, Wayne Smith will top an array of political and governmental contacts for access offering inside information, along with his analysis and comment. His introductory piece explores Jens Christen's apparent isolation in high office.

In this week's World section, edited by Bernice Woodward, Washington Bureau Chief Andrew Phillips introduces *Online*, a report that will focus weekly on world events and personalities that have particular relevance to Canada and Canadians. In his inaugural report, Phillips looks at U.S. President Bill Clinton's likely new Ottawa ambassador, London Bureau Chief Bruce Wallace also will be filling regular *Deadline* reports.

Another major change is the creation of several regular "beats," or areas of specialization, including Education, Health/Medicine, the Media, and Justice. Assistant Managing Editor Ann Dowsett Johnston will oversee Education and write a regular signed piece while section editor Victor Dwyer will write reports or assign them to writers in *Maclean's* bureaus. In addition, Dowsett Johnston will oversee the several university visiting. Assistant Managing Editor Robert Marshall will be in charge of coverage of Health and Medicine, in addition to Justice and the existing Science

and Technology departments. Senior Editor Patricia Hickey will continue to oversee Entertainment, which ranges from Art and Books to Music and Movies, and will add Media to her portfolio. Senior Writer Mary McDonald will be the lead writer for the Media section, and her report on a subject close to home—the rejection of Canadian magazine regulations by the World Trade Organization—is in this issue. In addition, Assistant Managing Editor Ross Laver, who is responsible for the *Business* section, will now oversee a new section called *Money*, which this week features a cover story noting the best and worst mutual funds.

In the weeks ahead, other new features will be added. Senior Editor Patricia Nagelstein, in addition to supervising the coverage of Canadian news, will introduce a rotating series of bureau reports from across the country that will visit places and examine situations that do not always get national attention. Completing the recent reorganization, Executive Editor Rob Lewis takes over responsibility as head manager, a role in which he will review and edit each article in the magazine, as well as writing an occasional column. Geoffrey Stevens, who joined the magazine last fall as managing editor, will oversee investigative reporting. In addition to his responsibilities for day-to-day operations, it is a senior staff that brings joy and comfort to the heart of an editor-in-chief.



Hickey, Marshall, Dowsett Johnston: new faces

Robert Lewis

Newsroom Notes:

The mutual-fund report

A recent survey found that 40 per cent of households have put money into at least one mutual fund—up from 26 per cent in 1993. But while investing in funds is growing, so is confusion about how the industry works—and how investors can best build a balanced portfolio for their retirement years. Those are among the issues addressed in this week's cover story on mutual funds.

The piece began last September, when Assistant Managing



Laver: making the funds

Editor Ross Laver approached investment experts for advice on assessing fund performance. That led to a ranking of the best and worst funds and a roundtable of experts on investment choices. The package also includes a poll of 1,000 investors. Laver wrote the main story. To round out the package, Associate Business Editor John Schellfield profiled Giannina Stromborg, who has led the fight for reform in protected individual fund owners. National Business Correspondent Jennifer Wells, meanwhile, delved into the highly profitable world of financial planning gurus, whose advice shapes the investment decisions of thousands of Canadian investors. The 16-page special report, designed by Associate Art Director Giselle Sabatini, begins on page 34.

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EDITORIAL UPDATE

The Maclean's Guide to Universities

The definitive guide to Canadian universities features comprehensive, useful profiles of more than 60 universities, the Maclean's university rankings and Campus Confidential, where students tell us what makes their schools tick—and what ticks them off. It features a guide to the hottest hangouts, the most popular profs, and the latest scoop on What's Hot and What's Not, and What's New. Also included is a Financial Planner and the Career File—where students can pick up pointers on how to prepare for a challenging job market.

This year's guide introduces two new features:

- **International Student Primer**
- **Wise** imperatives, application procedures, accommodation, medical insurance and more.
- The most popular universities—and what they charge.
- Expanded Internet and mailing addresses.

Community College Directory
A handout directory of the strengths of more than 170 community colleges and Quebec CEGEPs.

Available on newsstands and in bookstores Jan. 27. Only \$12.95.

Web Site News

Maclean's on the Web

Maclean's on the World Wide Web provides a selection of stories from the current week, and previous special reports called "Reports", as well as a university ranking section in the Maclean's forum post your views on Canada's future and other hot topics.
<http://www.cmc.ca/maclean>

Maclean's on CompuServe

Maclean's Online delivers the full text of Maclean's every week. Maclean's Online members can also participate in interactive forums, post messages to other members and search back issues of Maclean's.

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The 1997 Canadian Encyclopedia Plus from Macmillan & Stewart is an up-to-date complete multimedia reference. This CD-ROM allows users to do as an library in the making with Macmillan's Year in Review major Canadian and world events from Jan. '96 to last summer's Atlanta Olympic. Monthly Maclean's updates on the Internet will keep you abreast of the year.
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Maclean's
CANADA'S WEEKLY NEWSMAGAZINE



PUBLISHER: BRAD STOL

Director of Advertising Sales: David L. Smith

Account Managers: Barbara, Nancy, Robert, and Jennifer

Sales Director: (416) 593-2000, ext. 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 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Wilson-Smith

The isolation of Jean Chrétien

One of the favorite clichés about life at the top of any profession concerns its loneliness. Perhaps what that really means is that leaders simply don't get out much, and so have trouble understanding the concerns of ordinary people. Then they complain bitterly that ordinary people don't understand them. For example, a former Supreme Court judge who resigned after a relatively short term in office did so, he often tells friends, because no one else could understand the sheer boredom and isolation of the job. On most days, the retired judge recalled, he only received two phone calls—from the chief justice and from his wife—and he "didn't want to take either of them."

Then there are politicians who, to their credit, have their own phrases to describe the syndrome. "Islander mentality." It usually implies two things—the right to complain about people who complain about them, and to suggest that only people who have lived through similar pressures understand them. Often, most of their advice comes from outside the country. Pierre Trudeau, in his self-congratulatory memoirs, delights in listing foreign leaders, such as German Chancellor Helmut Kohl, who praised him for various initiatives. Brian Mulroney, still smarting from the opposition that greets him in Canada, consoles himself by boasting to friends of his continuing relations with people like George Bush and Margaret Thatcher. In fact, he said to friends, called him in the wake of the federal government's apology to Mulroney for suggesting he received bribes while prime minister. Only people who had led government, Mulroney said, could fully appreciate the "pain and misery" of such allegations against his name.

Now as Jean Chrétien runs for the 1997 election, he finds much of the fact that, unlike Mulroney, he would not "go fishing with George Bush." True, indeed, he goes with Bill Clinton. (Oh, Chrétien confuses, not only beats him, but also, unasked, gives him tips on his person.) Like so many of his predecessors, he has begun to empathize more with his in-law leaders than the people he—and they—serve. Witness Chrétien's unnecessary and enthusiastic physical embrace last November of Ontario leader L. B. Pong, the man largely responsible for the 1993 Thirteen Square measure. In a similar way, he expressed warm words of support for Indonesian president in South Korea while visiting two weeks ago, and last week, while in Manila, went out of his way to make a second term for Philippine President Fidel Ramos—although his country's constitution limits the president to one term.

Has the self-described "little guy" changed his person more coming to office? No, he insisted in an interview last month, he has worked hard to resist the temptation to "become too self-satisfied

and say 'I'm a big shot.'" But one of the recent things about being prime minister, as opposed to opposition leader, he said with a straight face, is that on trips he no longer has to lug his own luggage and wait for him.

He is no snob. To a degree unreciprocated by most Canadians, the Prime Minister has always been uncomfortable in large gatherings. At official functions, his experience with pomp and circumstance is palpable. When called upon to make speeches at such times, Chrétien speaks in such a flat, perfunctory manner that he even appears bored by himself. His favorite idea of time off (after that gold in a Sunday at home with wife Alice, watching football on television with the sound turned down while he listens to classical music). The other place where he remains most comfortable, his "second house" according to friends, is in meetings with the Liberal caucus. He received with cold anger recently in a suggestion from an acquaintance that he does not pay enough attention to the concerns of his MPs.

For the Prime Minister's instincts to work most effectively, he needs to be out, testing the prevailing winds

But while Chrétien has not changed much since coming into office, his circumstances have. To a remarkable extent, he relies on his gut instinct to make decisions much more than on polls or philosophical debates. His decision in early 1994 to cut to three bars in order to discourage smuggling was based, in large part, on a conversation with a longtime friend. When the friend casually described buying contraband cigarettes, Chrétien realized firsthand the degree of social acceptance that smuggling had achieved—and took swift action.

For Chrétien's instincts to work most effectively, he needs to be out, testing the prevailing winds that he does that, for example, on the issue of his promise to amend the Goods and Services Tax, he would have quickly recognized the side force pushing towards him. But as Prime Minister, he lives two neighborhoods he doesn't have the time to see as many as he does, and those he does not see more likely to tell him what he wants to hear, rather than what he should hear.

Now, in an election year, it is worth remembering that a political leader's life can be summed up in three stages. The first is when people elect you because you are not someone else, such as an unpopular incumbent. The second comes when people support you because they like you, and the last is when people vote for someone else because he or she is not you. In the last month, there is much evidence to suggest that the Prime Minister is descending from being someone people like on his own merits to someone they tolerate only because he is more palatable than anyone else. Should the Prime Minister try harder to listen to ordinary Canadians? He could consider this: life may be lonely at the top, but it becomes even more so on a long slide from power.

Opening Notes

Edited by BARBARA WICKENS

The latest trend in antique artifacts

The prestigious Winter Antiques Fair that opened last week in New York City is a must-attend event for many serious collectors. And for the final year running, Donald Ellis, 39, of Dundas, Ont., is the only Canadian among the 70 arts and antiques dealers from around the world at the invitation-only event. The well-taught Ellis is one of only a handful of dealers specializing in 18th- and 19th-century Canadian and American Indian art. Last year, as one of only two dealers in the field at the show, Ellis sold 41 of 50 objects on offer at his booth, netting \$2 million. Some of the buyers were collectors at Art Deco or Bauhaus furniture who had never before bought native art, but were attracted to the objects made out of hide, wood, bone and beading. "These things can have tremendous soul," says Ellis, who first started collecting such items



Reborn, Ellis' 'Wings' have soul

during his youth, when he attended powwows at the Six Nations Reserve near Brantford, Ont. Tiny, Ellis and his wife, Mary Ann Bassion, have one of four booths selling native art at the New York fair, which runs until Jan. 26. Items range from a \$1,600 Micmac porcupine quill box from Nova Scotia to a \$368,500 Hudson's Bay Company chest from the Transient Indians of coastal British Columbia. The 1860 chest, with an asking price of \$221,100, was on loan to a Canadian museum, which could not afford to buy it because of recent cutbacks. The public's loss could be a private collector's gain.

New nomenclature

When Victor Wong, president of the Vancouver Association of Chinese Canadians, was looking at a map of Umbagog Island last year, he was surprised to notice Chinatown, Lake near Prince Rupert. "If you look to a dictionary under 'Chinatown,' it says it's archaic and derogatory," he notes. He found that other B.C. place names included Chinatown and Chinatown Rapids. So Wong and his organization successfully petitioned the B.C. ministry of the environment, recommending that the names be



Chinatown Park, archaic

change Chinese Lake and so on. Wong says hopes that local Chinese groups in other parts of Canada will also move to get the names changed. And, in fact, a Calgary man is doing just that. Alfred Chavre was invited to the Alberta Historical Resources Board that it charge the name of Chinatown Peak, near Canmore. Chavre suggests it should be named for its language, according to local legend, was a coal miner who won a bet that he could run to the top of the peak and back before the end of his lunch break. Add Chavre. "It's appropriate to name it after the guy who climbed it."

An antihistamine alert

When it was introduced in 1963, Seldane—the trade name for the chemical, terfenadine—was the first antihistamine that could relieve sneezing, runny nose and watery eyes without causing drowsiness. But in 1992, reports emerged that the allergy reliever caused potentially fatal heart arrhythmias when taken with commonly prescribed medications, including the

antifolate erythromycin, or by patients with liver disease. Canadian regulations reacted by placing the drug behind pharmacists' counters, where it would be dispensed along with information about its risks. In the U.S., Seldane became available by prescription only. "It's a terrible antihistamine," says Toronto cardiologist Rex Melvin. "That it can kill you," still, the company stands by its product. "It is a safe and effective if taken according to the label's instructions," argues Laval, Quebec spokesman, Jean-François Marsan. Canadian health officials say they plan to "take a close look at the drug," after they obtain more information from the FDA. Allergies has not yet been approved for use in Canada, but, in the meantime, consumers can purchase Seldane at any drugstore across the country.

Alerts, a new version of the antihistamine with no known side-effects. That paved the way for the U.S. Food and Drug Administration to announce last week its plan to take Seldane and other terfenadine products off the market. Many Canadian doctors would also like to see the drug banned. "It's a terrible antihistamine," says Toronto cardiologist Rex Melvin. "That it can kill you," still, the company stands by its product. "It is a safe and effective if taken according to the label's instructions," argues Laval, Quebec spokesman, Jean-François Marsan. Canadian health officials say they plan to "take a close look at the drug," after they obtain more information from the FDA. Allergies has not yet been approved for use in Canada, but, in the meantime, consumers can purchase Seldane at any drugstore across the country.

MEDICINE WATCH

Beauty and beasts



Sammy, honey

It has turned into the biggest U.S. media circus since O. J. Simpson was charged with murdering his wife, Nicole Brown Simpson. The victim is again an attractive blond—this time a prettification of a 6-year-old John Bennett Ramsey, a Boulder, Colo., millionaire, found the strangled body of his daughter the morning Little Richard Mass, John Bennett, in the family home on Dec. 26. Since then, hundreds of journalists have descended on the town, questioning everyone from the neighbors to the assassin's other girl's pregnant mother. As a result, the family has taken an unusual course: hiring a media consultant, Bill, that did not present a tabloid, the Globe, from publishing leaked pictures of the widow. With no access by week's end—and with local news agencies saying little—the frenzy seemed certain to continue.

It all computes

Two new and exotic software titles for the home computer.

- Produced by a Toronto-based software company, **PlanetWave Northern Europe** (\$69.95) is an enthusiastically detailed and simple-to-use travel planner. Its database includes the contents of 18 Beaudouin travel guides for Europe, countries, and cities. 900 color photos, 700 maps, 7,000 addresses and phone numbers for major attractions listed by travel expert, and more than 1,000 walking and driving tours. The program allows travelers to create and print out a pre-trip itinerary. Copies will, relatively easy to use. PlanetWave can grow in a handy tool for anyone planning a great tour of the Continent.
- With the Super Bowl just around the corner and several live, football-free movies about, people fans can find solace in **Pro! Page Sports Football Pro '97**. The game, produced by Callahan's Sports On-Line Inc., is both brilliantly modernized and easily entertaining. Enjoy tears in the NFL can be played on or against, and users can guide their favorite squads through game after game, season after season, including drafts, playoffs and the Super Bowl. The game allows players to go head-to-head on a modern or a network—and even trade voice files between downs. With 3-D graphics and bone-crunching sound effects, Football Pro '97 should keep armchair quarterbacks on the edge of their seats throughout the off-season.

BEST-SELLERS

FICTION

1. *House of Secrets, Steve Gerber* (3)
2. *Alpha Black, Robert Asprin* (2)
3. *The Englishman's Boy, Guy Vanderhaeghe* (2)
4. *Archives, Michael Ondaatje* (3)
5. *The Most Beautiful, Timothy Findley* (3)
6. *The Father in Politics, John G. C. Ford* (3)
7. *Lost Souls, Andrew Ross* (3)
8. *On the Edge, Anne Marie MacDonald* (2)
9. *Shelly, Lee Anglin* (3)
10. *The Lives of the Fathers, Brett Turner*

NONFICTION

1. *Beats, Beats, Beats, David Foster and David Matthews* (3)
2. *The Future Lies, David Foster* (3)
3. *Secret Histories, David Foster* (2)
4. *My Sister, Anthony Gervino* (2)
5. *The Nightingale, Anthony Gervino* (2)
6. *Islanders, Anne Reid* (3)
7. *Letters from London, Anne Reid* (3)
8. *Black and White, Anne Reid* (2)
9. *Midnight in the Garden, Anne Reid* (3)
10. *Brilliant Women, Edward Gooden* (3)

Editorial: William Davis

Life after two strokes

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Passages

DIED: Canadian cosmetics wizard Frank Angeli, 50, of a heart attack while undergoing routine elective surgery in Florida. Angeli co-founded MAC (for Makeup Artists' Cosmetics) in 1986 with Frank Toscani, and had set up their handmade concoctions to artists and photographers. But MAC's innovative, affordable style—including the use of cross-dresser **Paul** as a spokesperson—soon caught on with fashion trendsetters. In 1994, Estée Lauder, the New York City-based cosmetics giant, bought a 50-per cent stake in MAC, which now has more than 120 retail outlets worldwide.

DIED: Cancer researcher Dr. Charles B. Higgins, 95, a Hall of Fame member who won the 1966 Nobel Prize in medicine, in Chicago. Higgins, who taught and conducted research at the University of Chicago, was the first with American scientists to work on the relationship between hormones and cancers at the prostate and breast. Their studies paved the way for treating advanced cancers by slowing their dependence on chemical signals and ending the belief that cancers were self-perpetuating.

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Pulling the plug

Ottawa orders an end to the Somalia inquiry

BY LUISE FISHER and
JOHN DEMONT

Suddenly, it seems as if no one in Ottawa can keep a secret anymore. Consider the case of the four noted academics who attended the federal government's invitation to help chart a course for restructuring Canada's armed forces. The panel was supposed to be hush-hush—but someone gave the news to the media. "It was more as ball dropped," explained panel member Jack Granatstein, a noted historian. "His effectiveness has probably been weakened." The next question was obvious: did Defence Minister Doug Young's office persistently leak the news as the hope of drawing out the longest shipwreck of military scandal? It is all speculation.

Word of the blue-ribbon panel should have demonstrated an active, forward-looking government searching for solutions rather than dwelling on its problems. Instead, it smacked of damage control—and failed to divert attention from Young's decision, announced last week, to end the hearings by the commission of inquiry into Canada's failed 1990-1992 Somalia mission. In fact, Young's refusal to extend the inquiry past its already extended March 31 deadline continued to smelt like polished interference to almost everyone: the media, the political opposition, even the



Young, a blue-ribbon panel to help restructure the military

ports condemning the actions of soldiers during a 1994 mission of mercy in Bosnia. And at week's end, retired colonel Geoff Howlett, seen by many as the scapegoat in the scandal over Somalia-related documents that were altered before being released to the media, was acquitted by a court martial. All of which made it hard to dispute military analysts' Brian Macdonald, of Toronto-based Strategic Analysis, when he summed last week. "Canadians are growing weary of the spilling of scandals flowing from the Department of National Defence."

So are the Grits. This is shaping up as one long war for the Liberal government, which is expected to call an election this year. First came Prime Minister Jean Chrétien's controversial appointment of a

inquiry commissioners themselves, who now have until June 30 to write their report. "The way they've handled this is total nonsense, and Young was supposed to be no nonsense," declared Reform party defence critic Jim Flaherty.

Outside the inquiry room, things went from bad to worse for the military. Yet another disgraced Canadian commander, Lt-Col. Roch Lacroix, was relieved of his duties. His time for allegedly using excessive force against civilians in Haiti—a time when increasing civil unrest signals new challenges for the 1,500-member UN peacekeeping force there. Then, army commander Maurice Baril refused to



Commissioners Peter Desautels (left), Louis Arsenault and Robert Audet (right) at a press conference

CIBC television town hall meeting on December 16, and his refusal to apologize for the Liberals' broken campaign promise to scrap the Goods and Services Tax. Then, just two weeks ago, the embarrasing settlement—precipitated by another leak to the media—with former prime minister Brian Mulroney over his \$60-million bid to assist Ottawa's army from the RCMP's investigation into the Airbus affair. Yet it is the military scandals that, hurt as the federal government tries, will not go away.

To be fair, Young may have had a point when he decided the Somalia inquiry had taken too much time. Appointed almost two years ago, the inquiry was only one-third of the way through the ground it wanted to cover, and had already had its original December 31, 1995, deadline extended twice. On the other hand, other federal inquiries have actually been less than complete. The royal commission into the February, 1982, sinking of the Ocean Ranger drilling platform, appointed in March of that year, did not issue its report until July, 1985—more than three years later. And the Royal Commission on New Reproductive Technologies, appointed in October,

1989, wrapped up its work four years later. Last week, the appointed Somalia commissioners questioned the Liberals' motives, implying that by bringing the inquiry to close the Somalia scandal would be out of sight and sound by the time Canadians go to the polls, presumably next summer or fall. "It is a difficult time for them with an election coming," noted inquiry head Gilles Lévesque.

The inquiry was triggered by the brutal torture and murder of 16-year-old Shidane Arrose by Canadian soldiers in March, 1993, and the subsequent revelation of another death, in 143 days of hearings—and the examination of two million pages of documents—it has uncovered disturbing tales and allegations of irresponsibility, incompetence and cover-up. Among a mountain of documents released by the inquiry last week was one from a military justice official claiming that he had informed the office of then Defence Minister Rias Campbell about the Arrose murder five days before she claimed to have learned of the details. In response, Campbell, who was told last week that Young's decision will prevent her from testifying at the inquiry, was scathing. "His claims are totally off the wall and don't coincide with the other documents the commission has in its possession," she shot back in an interview with *Maclean's*.

Some politicians have been more severely wounded by the Somalia story. Former Liberal defence minister David Collette endured months of steady pounding in the House of Commons. Last October, on inappropriate note he sent to the department of insurance on behalf of a consultant from him on opening a resignation. That Young, his long-time political foe, has been on the offensive from the moment he took the job. His first step was to sack Gen. Jean Boile as chief of the defence staff. Boile, appointed by Collette, was at the centre of the document tampering scandal, and had become a political liability for the government. Since

'We will see the axes grind'

Kim Campbell's mood was almost as black as the weather outside. A tormented downpour had delayed the former prime minister, now consul general in California, on the way to his office in downtown Los Angeles. Now she was turning over the latest twist in the troubled two-year-old Somalia inquiry. Campbell learned last week that the inquiry's three commissioners, blaming the government's refusal to extend their March 31 deadline, have decided not to hear her

testimony. As defence minister, Campbell found herself in the hot seat after a Somali teenager was tortured to death while in the custody of Canadian peacekeepers in mid-March, 1993. In an interview last week, she told *Maclean's* that she had signed a nondisclosure agreement, promising to remain silent until the commissioners were ready to hear her testimony. Now, deeply frustrated by last week's decision, she is demanding a full hearing before the inquiry. "Until now, I have held my line," she declared. "If I'm not heard, I'll go public."

Campbell's anger is understandable: she has long been accused by opposition critics of having been involved in a cover-up. Campbell and her staff have steadfastly

maintained that they learned of the circumstances surrounding the Somali teenager's death only when the news became public on March 31, 1993. Others offer conflicting accounts. In a November, 1994, memo, released by the commission last week, military justice official Capt. Fred Blair asserted that two of Campbell's advisers—now Campbell herself—were told details of the death on March 26, 1993. The memo also alleges that Campbell's advisers often "plugged" about how the military investigation should be conducted. Campbell categorically denies those statements, as does at least one of her officials, John Dixon. "That claim is totally off-the-wall and absolutely inconsistent

with the documents at the time," she says.

Campbell insists that, while then-Chief of Defence Staff Admiral John Anderson told her about the death shortly after the incident occurred, she was not informed about the grisly details. Instead, the military report said only that a Somali had died in inoperable circumstances. "I really don't know how it came to be that I was given false information," she says. "The fact is, there was no forthcomingness." And, she adds, "I knew that I could tell my sta-



Campbell frustrated

ty in the context of the inquiry. Now, to find out that I can't speak the feeling I didn't even get," it also appears that other former officials will no longer be called to testify, including Robert Fowler, former deputy defence minister, and two former chiefs of defence staff, John Anderson and John de Chastelain. According to Campbell, they should also be heard. "I'd like to hear what they have to say," she says. "It's then that we will see the axes grind."

L.F.

CANADA

then, Yeager has announced a detailed review of the armed forces' and, in the meantime, train all military personnel.

His latest move, though, has thrown the entire inquiry into disarray. And it raises troubling questions about whether Canada will ever learn the whole story—particularly about high-ranking involvement in the affair. Apart from Campbell, the inquiry also wanted to hear from a host of other key figures. Among them Campbell's former deputy minister of defence, Bob Furlong, now Canada's ambassador to the United Nations, former chief of the defence staff General John de Chastelain, now involved in peace negotiations in Northern Ireland, and Admiral John Anderson, now Canada's ambassador to NATO and also a former chief of defence staff. Ultimately, the inquiry hoped to clarify who said what to whom and when—in an attempt to determine whether there really was a cover-up to cover up the events.

Technically, the commission, now hearing testimony about the ground details of the Somalia mission, could change course and concentrate on the flow of information and gossip at the corridors of Ottawa. But the commissioners say they cannot risk water politics, military and departmental figures to appear until the inquiry has a complete picture of what actually happened in Somalia. The absence of that high-ranking testimony could, in fact, threaten the validity of the commission's final report—and result in any



■ On duty in Somalia: federal change course

Young has done the right thing by looking further afield to balance the advice he is receiving from DND bureaucrats and officers. Given the scale of the problems afflicting the military, the minister can clearly use all the help he can get. □

subsequent charges being thrown out of court. Said inquiry co-chair Barbara McIsaac: "If we overstep the bounds, we may be faced with a court challenge."

In the meantime, the wide-ranging report on defence policy ordered by Young is due on October 31. By the end of March, the defence minister has gone for outside the military for advice. Judge Brian Dickson, the retired chief justice of the Supreme Court of Canada, will lead an inquiry into the military justice system, including the questionable practice of sometimes having military police investigate their own superiors. But Young has thrown the big job to his blue-ribbon panel, which consists of Gower, fellow historians Desmond Morton and David Reisman and political scientist Albert Legault. "I'll write on the basis of what I know now and whatever I learn," Gower said last week.

That prospect worries some observers, among them Reform's Jim Bart. He is, he says, concerned about the impartiality of both Gower and Morton who, for one thing, publicly lost to the defence of Boyle last summer when the commission was affirming him over the documented sexual scandal. Others, though, say that

A general clears the decks

The rumors began to circulate late even as Canadian peacekeepers were receiving widespread praise for their heroic efforts in Bosnia between October, 1993, and May, 1994. Beneath the public story—and to a mental hospital in the besieged town of Balcova—lay whispers of drunkenness, sex with Bosnian nurses, black marketing, even abuse of patients. The matter was dropped after superficial military police investigations. Then last July, came the bombshell: in what was widely praised as a new sign of openness in the military, army commander Lt.-Gen. Maurice Baril announced that a full-scale investigation would be launched into the allegations. Last Friday, he released the findings: 57 soldiers, none of them generals and 47 of them still serving in the Forces, have been implicated in the Balcova scandal. "These matters," Baril said, "will be dealt with quickly and clearly." But not too harshly. Overall, the report praised the behavior of the thousands of Canadian peacekeepers who served in

Bosnia. And because the Balcova offences occurred outside the military's three-year statute of limitations, there will be no courts martial. Instead, special general boards have been established to determine the soldiers' futures. Some may end up being dismissed, others may be denied promotions. And Baril also rejected allegations that there had been a systematic cover-up of the Balcova scandal. Along with that report, he released a study by former RCMP assistant commissioner Lowell Thomas into the military's handling of the affair. Thomas concluded that there had been no attempt at a "whitewash," although he did say that evidence was not relayed quickly enough up the chain of command. He also said that military police treated the matter of drunkenness and intoxication lightly. But according to the Balcova report, those were far from the only problems. Canadian soldiers, it said, abused patients, stole shaved the amputees' legs and genital area of a 17-year-old woman. As well, Baril said last week that two

more investigations—one into black marketing, the other into an allegation of sexual assault by a soldier against a patient—have been completed and are now being studied.

Some observers felt that the flurry of reports amounted to "a clearing of the decks." In fact, Baril released a third report—about former captain Sandra Peron, the army's first female military officer. Her case sparked widespread attention when a photo, showing her tied to a tree and apparently beaten during a 1992 training exercise, was leaked to the media. The military report noted that while the exercise had been rigged to ensure that she would be taken "prisoner," there was no conclusive evidence that she had been physically abused. Still, the report added that Peron had never been accepted by her fellow officers, and had been driven from the army by "all kinds of harassment." Noting that the army would have to make extra efforts to better integrate women, Baril was philosophical: "In the past four years, we've certainly learned a hell of a lot," he mused. But that begs the question: can the military clear up its act?

L.R.

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'Mega-Week' in Tory Ontario

The government hits hard and fast

BY JOE CHIDLEY

In a downtown Toronto hotel last week, 300 trustees and school board staff had gathered for the annual conference of the Ontario Public School Board Association. But two of the most eagerly anticipated guests, provincial Education Minister John Snobelen and deputy attorney-general Lacey, were notable for their absence. In fact, Snobelen and Lacey cancelled their traditional appearances at the OPSBA conference only at the last minute—too late to remove

during an extraordinary midwinter session of the legislature, with Harris himself in Asia as part of the Trans-Canada trade mission, toothed off yet another political storm for the province's deficit-fighting Tories.

Beginning in 1990, the province will completely take over from municipalities the 5-musical-burden of education, which now costs property-tax payers \$2.4 billion. In return, Queen's Park will hand off to municipalities much of its share of the cost of welfare, public health, care for seniors, transit,



Later, disastrous urban decay

police, sewer and water systems, and libraries—programs totalling about \$6.4 billion. Declared Finance Minister Ernie Eves, "This is the most significant thing the government is going to do in its mandate."

Few could argue with that, as the legislation affects almost every facet of local government. Among its major elements:

- Cuts for primary and secondary school education will be removed from real-estate property taxes and replaced with provincial grants. Along with the school board cut, parent advisory councils will be entrenched in law, going, Snobelen said, more power to parents over curriculum, report cards and discipline.

- Municipalities will assume responsibility for public housing, health programs and land-use planning. As well, valued the \$2.3-billion cost of homes for the aged and elderly will be shifted to local governments.

Most controversial, however, was Social Services Minister Janet Tate's announcement that municipalities will administer welfare—and pick up 55 percent of the \$2.6-billion social assistance tab, now largely paid by the province.

- As of next January, 575 communities that have engaged provincial police services will have to pay for them from prop-



Socialists surrounded by protesters and police, pushing through riotous

erty taxes, saving the province an estimated \$182 million.

- Most municipalities will have to pay the full cost of public transit, ferries and airports, and will be responsible for provincial roads that pass through municipal boundaries.

- The 25 per cent of water and sewer systems now run by the province will be handed to the local level, as will responsibility for funding them.

- The formula for evaluating property taxes will be traded under a policy of social value assessment, system based on a property's current value. In the two-thirds of communities that have kept property assessments up to date, the government estimated that the new formula will have no net effect on taxes. In other cities, however, where property values have not been reassessed for years, the jump in taxes will be "substantial," Eves said.

Despite their complexity, the changes are intended to simplify the machinery of gov-

ernment—the hardest test work was "fine-tuning" the new law to ensure the new law will reduce duplication of services and increase efficiency. "There's no secret that government in this province has become too big, too wasteful and too complicated," said Municipal Affairs Minister Al Leach.

He broke the people of Ontario will be the winners. "By the government's estimate, the step of spending responsibility will have no negative effect on municipal coffers—an effect, it will result in 'a wash,' Leach said. The Conservatives claim that the \$6.4 billion in education grants, along with a provincial reserve fund for local governments that see welfare costs increase, will make up for the \$9.4 billion in costs transferred to the municipalities.

But as Mega-Week continued, many city leaders openly questioned the government's math. For one thing, said Terry Marshall, president of the Association of Municipalities of Ontario, the province is issuing a relatively predictable cross-cos-

tion—while handing off programs like welfare that are subject to the business cycle. And, he said, the rules for assessing the welfare reserve fund are still unclear. "If a property-tax payer asked me what it meant to him or her, I couldn't tell him and I don't think there's anybody in the province who could tell him," added a clearly frustrated Marshall. "I mean, who the hell knows?"

The most hard-core critics of the moves, however, came from Metropolitan Toronto—already sharply divided by the province's plan to amalgamate its disparate municipalities into one huge mega-city. Metro chairman Alan Tonks estimated that Toronto would not spend at least \$80 million in the red. One reason: the city is home to more than one-quarter of people receiving social assistance in the province. And some critics were already warning nightmare scenarios about the future of Toronto's downtown. One provincial urban planner who asked not to be identified said that welfare costs and actual value assessment could

change logistics. The 1996 deadline, they say, is crucial to Harris's latest bid. If the hand-over of spending powers is not completed by then, the Tories cannot fulfil their campaign promise of balancing the budget—and lowering income taxes by 30 per cent—within their mandate.

Another major factor, however, is clearly political. By pushing through myriad reforms quickly, while the province's premier himself is out of province—the Conservatives are scrambling their opposition simply by providing too many targets. It is a style, Tories say, that Harris has adopted after carefully studying Bill Clinton's America. Conservatives, who in fact took their cue from New Zealand's deficit-cutting Labor government of the mid-1980s, indeed, as an apocalyptic, low-point model attributed to them. New Zealand Finance Minister Douglas states up an approach that Harris and his Ontario Conservatives have clearly taken to heart: "Hit them hard. Hit them fast. Don't blink. No sacred cows." □

Saying a prayer for peace

For five anti-biting days, the Guru Nanak Sikh temple in Surrey near Vancouver remained sealed shut, surrounded by a chain-link fence and yards of plastic yellow tape. Police cars continued to guard the imposing white building around the clock, in the wake of a bloody riot involving two fiercely opposed temple factions on Jan. 11. One group insisted that the traditional custom of sitting on the floor to eat should be maintained, while the other supported Western-style tables and chairs. Under pressure from the police, who said the temple would not re-open without a deal to keep the peace, lawyers for both sides finally brokered a compromise. The factions agreed to divide the temple into two spaces, one observing the traditional custom and the other the Western way. The 100 or so temple members who filed into the building after it opened on Jan. 15 no longer ate at separate Sikh holy day events and appeared relieved. But the roots of the schism run much deeper than the furniture issue. And when, at week's end, the *Asat Tahast*, the supreme ruling body of the four-century-old Sikh religion, issued a ruling from Amritsar, India, saying that congregations must occupy the floor, no one was certain how long the peace would last.

The gaily clash that led to the building's temporary closure drew the glare of unwanted attention to the 17,000 Sikhs who worship at the temple. Foreigners captured scenes of the remote temple members locked in a battle some even drawing ceremonial swords. Later, riot police were called in to quell the crowd of up to 1,000 Sikhs—whose internal struggles often have more to do with family alliances and political control than they do with strict ideology. "For Sikhs," says Simon Fraser University, "politics and religion are inseparable."

In fact, the faction favoring tables and chairs has said that the rivals, who were left with only four seats outside the 11-acre temple to occupy after bitterly contested elections in 1995, were using the furniture as a symbolic



Fighting at the Guru Nanak temple, an intractable conflict with roots in religion and politics

screen. The real issue, the faction contended, was control of the temple and the \$500,000 a month it rans through tithes and donations. Some even accused the rival group of diverting temple money to fund the separatist movement in the northwestern Indian state of Punjab, where Sikh militants want a separate homeland called Khalistan. The past temple leadership vehemently denied the allegations.

Last week, following the agreement, spokesmen for both sides were anxious to make the temple's troubled waters. Temple vice-president Balwant Gill, whose Surrey home was attacked only days earlier in a drive-by shooting and who sustained injuries to his left arm as the riot, appealed to everyone to "stay cool and keep peace." Representing the more orthodox faction was lawyer Ross Chambers—also a Sikh—also acting on behalf of four men arrested in connection with the riot, including one facing a charge of aggravated murder. "We all must remember that there is one temple for our religion which must accommodate the disparate views of all," said Chambers. "We've all just taken a deep breath, slow down, remember our faith, this thing will be solved."

Not everyone assembled outside the Surrey temple as it reopened last week was convinced the current compromise would

ensure long-term peace. "It won't last as long as this executive resigns," said one 26-year-old man who declined to give his name. In fact, the Surrey violence exposed a serious rift among British Columbia's 110,000 Sikhs that has complex historical roots. According to Johnston, a new wave of Sikh immigrants to Canada in the 1970s challenged the authority of more established Westernized Sikhs by insisting that mandatory headgear—long rejected in British Columbia—should be reinstated in temples. The newcomers successfully used the issue, among others, to oust leaders in several temples. After the Indian government attacked the Golden Temple at Amritsar, Sikhism's holiest site, in 1984, violence also spilled to Canada as Sikhs favoring a separate Khalistan confronted those opposed to secession in Canada.

Over the past two years, however, the influence of orthodox, pro-Khalistan Sikhs in British Columbia has waned, paralleling a police crackdown on militants in India, and temple power has begun to shift back to so-called moderates. But the transition is proving bumpy. "What we are now seeing is the group that has lost its position trying to re-emerge," Johnston says. With so much potential for conflict, those entering the temple in peace could only hope their prayers were being heard.

SCOTT STEELE in Surrey

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A MYSTERIOUS MURDER

The RCMP arrested Shannon Murm, 46, for the 1994 murder of Mandy Tran of Melville, S.C. The Newfoundland-born transient, who was charged with first-degree murder, was due to be released from a New Brunswick jail where he was serving time for a weapons offence. In 1995, Murm publicly challenged police to charge him with the eight-year-old's strangulation.

CONFLICT OF INTEREST

Roger Nadeau, the head of the inquiry into last July's massive flooding in the Saguenay region, said Quebec's environment ministry is in a conflict of interest because it operates some of the region's dams while also setting the rules by which they are governed. The flood, triggered by historical rains, killed seven people and caused more than \$700 million in damage.

REFORMER QUILTS

Stephen Harper, once touted as the east leader of the Reform party, resigned his Calgary West seat, effective immediately, to become vice-president of the National Citizens' Coalition. The NCC is a right-wing lobby group that gained national attention in 1994 with a fight against MPs' pensions. Harper expects to assume the presidency of the NCC when its current president steps down at the end of the year.

CHURCHILL TALK

Newfoundland Premier Brian Tobin and Quebec Premier Lucien Bouchard agreed to open exploratory talks on the possibility of renegotiating the Churchill Falls power contract. The deal, signed in 1969 and slated to run until 2026, has long been a sore point with Newfoundlanders. Under the current agreement, Hydro-Quebec buys Newfoundland power and sells it at a tariff profit.

A FAMILIAR FACE

Paul Hellyer announced the creation of Canada's newest federal party—the Canadian Action Party. Hellyer, called on the Bank of Canada to consider \$70 billion towards stimulating the economy—a move that he said would help create 777,000 new jobs by the year 2003. Defense minister from 1982 to 1987, Hellyer, 73, unsuccessfully opposed Pierre Trudeau for the Liberal leadership in 1966 and was Clerk for the Conservative leadership in 1976.



STRIKING A MEMORY

The 1972 Summit Series between Canada and the Soviet Union is best remembered for Paul Henderson's electrifying series-winning goal. Now, the Royal Canadian Mint has issued a commemorative \$1 coin to mark the historic event. On it, Henderson celebrates with teammates Yvan Cournoyer and Phil Esposito, while Soviet defender Vladimir Tarasov sprawls on the ice. "Standing here today with you," Tarasov said at an Ottawa news conference, "I think it was worth letting it be." Canadians no doubt agree.

Cournoyer (left), Henderson (left), Esposito (right) are electrifying moments.

An ever-deepening sex scandal

The shocks continue unabated. On Jan. 3, junior hockey coach Graham James was sentenced to 3½ years in prison for sexually abusing two former players of the Western Hockey League's Swift Current Broncos. One of the accused, Sheldon Kennedy of the Boston Bruins, went public three weeks ago. Last week, the other victim, whose identity is protected by court order, spoke with CBC Radio on the condition that his voice be disguised. In 1994, he said, he told the team's management about James. And while he thinks the abuse stopped because of his complaint, he questioned why James was allowed to continue coaching. Adding to the controversy were comments made by two other former Swift Current players—Darren McCua and Kevin

Powell—who said they and other teammates had a meeting in 1994 with Doug Moeck, who was the team's chief scout at the time, and then-on president John Rittger. Powell said they told the officials about James's sexual involvement with a 17-year-old player. McCua also said he told them that James paid players to let him watch as they had sex with women. Moeck refused to comment, while Rittger has said he has no recollection of ever being told about James's behavior. Police in Calgary, meanwhile, laid charges of sexual assault and sexual exploitation against minor hockey coach Robert Almy after a 15-year-old boy—who police say was encouraged by Kennedy's speaking out—accused Almy of assaulting him at a hockey camp last summer.

Krever wins another legal round

The Federal Court of Appeal unanimously dismissed a challenge by the Canadian Red Cross Society, three drug companies and numerous current and former officials against the tainted blood inquiry headed by Justice Clarence Kerwin. Upholding a previous decision, last week's ruling permits Krever to assign innocent blame in his final report, due on April 30. The Red Cross reserved the right to appeal to the Supreme Court of Canada. "It's not the right of the," says Nova Scotia's Janet Cosentino, whose late husband Randy was one of more than 1,000 Canadians to contract HIV through tainted blood products. Cosentino, herself stricken with AIDS, asked the Red Cross to abandon its legal challenges. "I clearly would love to see this report with my eyes," she said.

Back on the path

Israel and the Palestinians finally agree on Hebron

As dawn hit Friday in Hebron, as the first Israeli soldiers drove away from the green hilltop military headquarters their army had occupied for nearly 30 years, a young man scaled a towering radio antenna to hang the red, white, black and green Palestinian national flag. It was seven hours after Israeli MPs had ratified a partial agreement delayed by months of wrangling, and thousands of jubilant Palestinians had gathered outside the former British colonial fort to welcome their own policemen arriving in gleaming white Land Rovers. Some could hardly believe the situation in memory of Yehiya (The Engineer) Ayyash, the radical Palestinian bomb maker assassinated by the Israeli secret service a year ago. "We are all 'Yehiya Ayyash'!" they chanted. A week earlier, such words might have landed them in an Israeli interrogation chamber.

Foreign leaders lauded the signing of the Jan. 15 Hebron Protocol as a historic moment, the starting point when rightist Israeli Prime Minister Benjamin Netanyahu clearly placed himself and his country back on the peace path laid by slain Nobel Prize winner Yitzhak Rabin. But for the 150,000 Arabs and 450 Jews who live in the biblical city, fear and tension built up over decades of strife remains high. Nearly a year behind schedule, the handshake means that about 80 per cent of Hebron—the area where most of the Arab population lives—now comes under Palestinian self-rule. The rest, where the Jews live in three enclaves, remains under Israeli army control. The duties of low-enforcement officials on each side have been painstakingly outlined. Yet as the new era opened, it appeared neither the Israeli settlers nor the Palestinian traffic cops had much idea of where one area of jurisdiction stopped and the other began.

Many in the crowd that swarmed around their newly rented dug were former activists in the wilder uprising, who had come to resort camps where they had been held for months at a time in the past decade. Avner Mousadek, a 46-year-old doctor, spent 18 months in the concrete fort's prison wing for membership in Palestinian leader Yasser Arafat's then-banned Al Fatah organization. "The first time I was here as a prisoner, handcuffed and blindfolded," he said. "This time, I came with my head held high."

On another hill across a valley, Rabbi Dan Lior and a dozen of his students quietly recited psalms above Hebron's ancient Jewish cemetery and ripped their clothes in the traditional rite of mourning: "Turning over the city of our forefathers, Abraham, Isaac and Jacob, to the rule of terrorism," the writer Rabbi told them. "In the name of destroying the city. So, we must go into mourning." One

Palestinian soldier cannot enter to new headquarters; Netanyahu, Arafat, Olmert, Benven



student was wearing a white T-shirt left over from last year's general election. "Vote Netanyahu," it urged, "for a secure peace." He clutched it with tight relief.

Staring near each other on a rocky outcrop, an Arab boy and a Jewish girl watched the morning commute. Asked whether they thought one day they would be friends, the children shook their heads. "We don't trust them," they answered in bilingual chorus. Both came to school in the disputed holy city, revered by each as the burial place of their common ancestor Abraham, are burdened with a sense of unbridled bitterness. They fear the kind of tensions, Arab or Jewish, with debts to write, a sporadic drama left undisturbed.

"I can hear the Jordan has pulled out," said Mousadek outside the government fortress. "But I'm not so optimistic that things will be straightforward from now on. The settlers are still in the centre of town. Our experience with them is that they will not allow things to go ahead as planned." Over on Rabbi Lior's hillside, settler spokesman Moshe Aronson cautioned that insecurity. "Nobody really knows what is going to happen here," he said. "The lines between Jews and Arabs are only drawn on the map. It will be very easy for intermarriage to cross the line, take a short detour, then go back and find itself under the Palestinian Authority."

Increasingly, the settlers feel isolated and abandoned. Once a nation of pioneers, Israel has largely become a Western-style consumer society, more interested in maintaining its growing standard of living than settling the ancient homeland. Youth would rather listen to the latest Spice Girls CD than fight a nationalist war. Their elders were

Galila Kline joins and conspire for tables at the newest Italian restaurant. An opinion poll published by the daily *Yedioth Ahaveth* found 57 per cent of Jews satisfied with the terms of the Hebron deal and only 25 per cent against it. Asked whether during the previous five years they had visited Hebron—which Netanyahu has called "the rock of our existence"—only 46 per cent said no, and only 28 per cent planned to do so.

Among the right-wing and religious voters who put Netanyahu in power last May, only a small, dedicated score of settlers, known as the "Women in Green," demonstrated outside the prime minister's office. About 100 Israeli settlers signed a newspaper advertisement demanding the second "a" in "democracy" which spells the blood of our nation. "And a tiny group of teenage disciples of the late Rabbi Meir Kahane, who was banned from elective politics as a racist, spray painted slogans damning Netanyahu as a traitor. Other settlers stayed home and watched basketball on television. Of the seven ministers who opposed the Hebron agreement in cabinet (against 13 in favor), only one—Benyamin Netanyahu, son of former Likud prime minister Menachem Begin—voted against."

All the same, Yonatan Shapiro, a Tel Aviv University expert on Likud politics, predicts that as the next elections approach, the party will likely rupture. The Hebron decision, he said, repudiated the Likud dream of a sovereign Jewish homeland stretching from the Jordan River to the Mediterranean Sea. Shapiro attributes Netanyahu's radical change of direction to heavy pressure from the Clinton administration, which he insisted would reach in the 1993 Oslo peace process to let it disintegrate. "Netanyahu turned with the whole of Israel in the past," he said. "If the Americans continue to press him, and he has to give in on future stages of the process, the chances are that eventually Likud will split."

Netanyahu's majority may be weakened, but he still has time to renew it. Beyond Hebron, Israel has agreed to start withdrawing its troops from rural areas of the West Bank in March and complete that three-stage pullout by July 1995. Netanyahu has also promised to resume talks on the permanent relationship—the so-called final-status negotiations—between Israel and the Palestinians within two months. "What Netanyahu has done," said Mark Heller, a Toronto-born researcher now at Tel Aviv University, "is to take a lot of the poison out of the Israeli debate. The Palestinians can convince themselves a lot more readily that they are participants in the whole of Israel, not just a party. What is now in dispute is specific issues, not principles."

From the Palestinian side of the barricade, Khalil Shikhi, a Nahla University political science professor, takes a gloomier view. "Netanyahu has got hands dirty in Hebron," he said, "but he still doesn't know where he is heading. The fact that he signed an agreement that commits him to the Oslo process means that he is a scholar is not a policy. But I'm still not sure he's a pragmatist, a clear thinker than a dreamer."

Last week, Netanyahu was at pains to convince world opinion that he meant what he said when he promised "peace with security." To the worried citizens of Hebron, that looked like a long term. But the peace process itself, at least, seemed a little more secure.

ERIC SILVER in Hebron



WORLD SOUTHEAST ASIA

A misstep in Manila

They call him Eddie—in the Philippines, an unimpeachable nickname that says a lot about the style of Fidel Ramos. The country's new president is a straightforward, open-charismatic, 68-year-old former army general, a product of the United States military academy at West Point, where he first demonstrated the bulldog determination that has since become his trademark. It is a quality that has served him well since he was elected to a six-year presidential term in 1992, arriving here with the weapons to fend off a cure to a national economy once derided as the "sick man of Asia." Under Ramos, the Philippines' health has been rechristened to the point that the economy is now growing by roughly 8 per cent a year and is widely recognized as one of the most robust in the Far East.

The test has not gone unnoticed, even in Jeremy, aged Ottawa. When Prime Minister Jean Chrétien arrived in Manila last week at the head of his 500-member State Canada trade mission, he went out of his way to heap effusive praise upon Ramos. Unfortunately, Chrétien was so swept up by the emotion of the moment that he committed a rare diplomatic blunder, stumbling in to the noisy Philippines debate about—of

all things—constitutional change. In an exclusive coast while addressing a forum of Canadian and Filipino businessmen, Chrétien revealed that Ramos would not be able to seek reelection as the country's constitution limits him to one term. "The world community is very disappointed that you cannot run again because you have gained a lot of respect all over the world," said the Prime Minister in an unscripted remark.

The gaffe set off a round of growling both in the Philippines and at home in Canada. Among the most caustic was the editorial comment of the Manila newspaper Today, a constant critic of Ramos's government. "This man is beyond criticism," the daily lambasted about Chrétien. "His stupid remarks are inexcusable, more so because he came from a country that was just saved from splitting up because of money parts." Even Chrétien was forced to admit his error, attributing it to his enthusiasm for Ramos. "I just got carried away," he confessed to a breakfast gathering of Canadian businessmen in Manila. "That I started campaigning for him."

others, worth more than \$800 million, that were seized the previous week in Seoul.

Tenri Canada's delegation arrived in Bangkok last week to discover that the government of newly elected Thai Prime Minister Chuanrichit Yungchavalit had shelved for two years major military purchases, including a \$290-million commitment of armored personnel carriers, which General Motors of Canada was pursuing through arms dealer Henshaw. In a surprise meeting with Chuanrichit, Chrétien was left to persuade his host to lift his freeze on one key project—the \$135-million purchase of a Canadian satellite from Spar Aerospace. Other than that, the Thai leader pointed poverty with his Canadian counterpart. "I will tell him I have no money," joked Chuanrichit in reference to a slight economic downturn that his overtures Thailand in recent months. As he prepared to head back to his capital Bangkok, it was an argument that Chrétien could hardly understand.

HARRY CAINE with **ABBY TAN** in Manila and **DOMINIC FAGGAG** in Bangkok

Ramos and Team Canada's leader, giving a reading from the media

Despite the Prime Minister's brief lapse, however, Team Canada's two-week trip to South Korea, the Philippines and Thailand remained relatively free of other controversies. To be sure, the mission's members encountered problems at each stop on the four-week tour in Seoul over sweeping new South Korean labor laws, *journalists*, "The firm environment" groups seeking compensation for toxic waste spilled from a mine partly owned by Vancouver's Fraser Dore Inc. and in Bangkok during the year's last stop, complaints about the exploitation and abuse of children in Thai tourism and the country's gambling and industry.

But at the same time, the 100 business meetings and close to 300 politicians and educators on the trip did succeed in winning scores of new business ventures estimated by Ottawa officials to be worth more than \$1 billion. In Manila, 32 agreements were finalized, totaling an estimated \$300 million. Bangkok yielded 4-50 joint ventures. The deals in both cities came on the heels of the 75

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YEARS OF
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Dateline



WASHINGTON

By Andrew Phillips

Advice for the next U.S. envoy

In Washington, where things are seldom quite what they seem, there are many forms of power. Some people hold office, and therefore influence. Others occupy what James Blanchard, the last U.S. ambassador to Canada, jokingly calls the "twilight zone" of American public life—they have no official position, but they wield considerable influence. Blanchard himself happily dwells in the twilight zone almost 10 times after leaving Ottawa to work on the re-election campaign of his old friend, Bill Clinton. Clinton has perched in the well-oiled offices of the Washington law firm Verner, Lipfert, Blanchard is still regularly on the phone to Ottawa. The ambassador's position there is still vacant, and although a veteran American diplomat, Thomas Weston, runs the embassy as charge d'affaires, there is ample room for someone with personality to the White House to lend the political side of the relationship.

Canadians may find it strange, even slightly odd, that Washington should go so long without naming an ambassador to its biggest trading partner. They shouldn't. Germany, Japan and Russia—hardly twice as powerful countries—are in the same boat. Ambassadors are named by the president, but they must be confirmed by the Senate. And in the months before a presidential election, key senior administration aides getting caught in partisan crossfire. It's not easy to win and avoid political embarrassment. In Canada's case, things should not drag on long after Clinton's inauguration this week. Already, the list of those named to be in line for Ottawa is long, and includes George Mitchell, the former senator from Maine, David Johnson, an official at the National Security Council, and Michael George, past president of the biggest U.S. teachers union, the National Education Association, which delivered lots of votes and (even more to the point) lateral cash to the Clinton campaign. Geiger, who is from Michigan, has family from Ontario and a fishing cabin in an island in the northern part of the province, and would love a stint in Ottawa.

But the smart money is on someone who, like Blanchard, can bravely claim the coveted status of FOIA or Friend of Bill. He is Philip Lader, who is about to end two years as head of the federal small business administration. Before that, he was deputy chief of staff to the White House. And before that, he was a property developer and active Democrat in South Carolina where he and his wife, Linda, founded the now-legendary Renaissance Weekends. Every New Year's since 1981, they have brought together hun-

dreds of business, academic and political leaders for a few days of deep thinking and turbo-charged networking in the lakeside surroundings of Hilton Head Island, S.C. Lader, who is fit, helped to develop the resort, and he still keeps a home there.

Clinton has granted the Renaissance Weekends since they began when he was just a young governor from Arkansas out to make a national name for himself. He and Hillary were back in Hilton Head at New Year's, an ideal opportunity for the President to show a quiet word with Lader on what he might do next. Of course, the deal isn't so soft. The White House makes no official. But an administration official confirms that Clinton has asked Lader to take on a "senior diplomatic post." And other sources say he is heading for Ottawa.

If Lader does get the nod, he could do

much more than stop by Vernon, Lipfert and lunch with his friends. Before he was named ambassador in 1993, Blanchard was already familiar with Canada as a two-term governor of Michigan. He proved to be a great successor. He oversaw the implementation of NAFTA, spearheaded the Open Skies agreement that improved air links between Canada and the United States, and won President Clinton's government by arranging for Clinton to talk publicly and discreetly in words the federalist side is the final days of the 1992 Quebec referendum campaign. "Our respect for self-determination can be misperceived as indifference or lack of concern," Blanchard says now. "I think when it's clear that the United States places a very high value on its relations with Canada, and especially with a united Canada."

In Ottawa, Blanchard had the great advantage of personal ties to the White House. Aside from the obvious benefit of being able to make the occasional Big Call to the top, it allowed him to keep ahead of officials from departments that may have more to do with Canada on a daily basis than does the state department—such as transportation, and environment. "I do people who need to be kept in the know. I know their cabinet secretaries personally," he says, "nothing will really

Ex-ambassador Blanchard with Clinton: sits at the top here

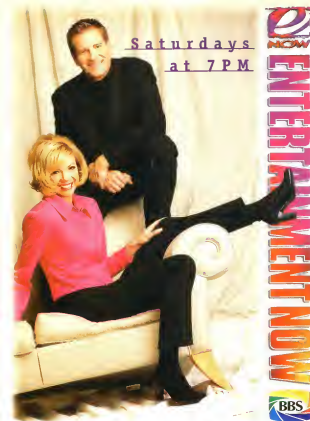
happen of importance without their involving me, because they're going to figure I've got better access than they do." Being a politician has its advantages, too, especially when you're in Ottawa, where so much is going on. When Blanchard first met Clinton, the Prime Minister told him: "I like the fact that you're a politician and not a diplomat. You know what we all go through, and you know the art of the possible." The re was, Blanchard says, "a bonding."

What would Blanchard say to his successor in Ottawa? "Number 1: understand that our political systems are totally different. Number 2: recognize that our cultures are somewhat different. Number 3: don't ever assume that Canadians will look at the world the same way we do. Number 4: don't ever project our history on them." Good advice—but for the Americans, too often hard to follow.

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World NOTES

SEARCHING THE SEAS

Organizers of a round-the-world solo yacht race confirmed on Saturday that a Chilean entry plans had made radio contact with Monterey sailor Gerry Rault, missing in the far southern Pacific since Jan. 7. Rault's boat was about 160 km off the southern tip of Chile, but the skipper did not manage to identify himself by name before the connection was lost. Search flights were immediately resumed. Rault, 43, was on a round-the-world solo yacht race when French organizers lost all contact with him. Satellite radar had yielded no sign of his vessel.

MANDELA REBUFS THE U.S.

South African President Nelson Mandela rejected an American threat to cancel \$100 million in aid if Pretoria approves an \$850-million arms sale to Syria. "We will never allow any country, no matter how powerful, to dictate our foreign policy," Mandela said. Israel warned that the proposed sale of an electronic tank sighting system to Damascus could "destabilize" the Middle East.

ABORTION CLINIC BLASTS

Bomb experts combed through the wreckage at an Atlanta abortion clinic after two explosions injured six people. The second blast went off an hour after the first, leading investigators to suspect the first was a "suicide bomb" intended to kill police and rescue workers to the scene.

PAKISTANI TERRORISM

Twenty-five people were killed and at least 100 injured when a powerful bomb planted in a motorcycle exploded outside a courthouse in Lahore. Among the dead are police, journalists and militant Sunni Muslim leader Zia-ul-Rehman, who was about to be tried for murder. Police and supporters of a Sunni group blamed rival Shias Muslims.

MEXICO PAYS UP

Mexico announced it would pay off the remainder of its \$11.5-billion debt to the U.S. Treasury—three years before the deadline. U.S. President Bill Clinton said the Mexican move indicated his decision two years ago to help the country out of its peso crisis. The support package shored off fears that a Mexican collapse could trigger havoc on world markets.



SPREADING UNREST

Taking their cue from protesters in neighboring Serbia, Bulgarian rioters join a march in Sofia, the capital, demanding that the ruling Socialist party call immediate elections. The Socialists, mostly former Communists who won five elections in 1994, have yet to make the economic reforms required by international lenders as a condition for aid to the nearbankrupt state. Last week, the government approved an emergency import of wheat to avert a severe food shortage, and four cabinet ministers resigned. But protesters rejected an offer to hold elections in December, a year early.

A tragic loss for Bill Cosby

To millions of television viewers, it felt like a death in the family. Sympathy poured in after news broke last weekend that Bill Cosby's 27-year-old son Russel Wilson Cosby was shot dead as he changed a tire on a Los Angeles freeway off-ramp. "He was my friend and I loved him," said Mos Def—Jazz Warren, who played Bill Cosby's television son Theo Huxtable on *The Cosby Show*, the hit series that ran from 1984 to 1990. The tragedy was gutted by a model on *Elmo*, who graduated from college in the same year as his TV counterpart.

Russel was visiting Los Angeles while on sabbatical from New York's Columbia University, where he was working on a PhD in special

education. Stricken with a flat tire while driving on the freeway around 1 a.m., he had stopped his green Mercedes-Benz convertible as an isolated spot near the post Bell Air district and called a friend to come help. The unidentified woman apparently reported that a white male shot Russel in the back, although some reports said she left when she saw a suspicious man approaching on foot and returned to find Russel dead. Police note robbery may have been the killer's motive.

A shaken Bill Cosby, 53, said at his only son, "He was my hero." Russel had an average diploma, and in 1985 got a master's degree in educating children with learning disabilities. Cosby and his wife, Camille, also have four daughters.

Newt Gingrich gets fined \$300,000

The U.S. House of Representatives ethics subcommittee has recommended that Speaker Newt Gingrich, a Georgia Republican, be financially repaid and fined \$300,000 (U.S.) for his admitted breaches of House rules. In penalizing the Speaker, the House ethics subcommittee said that Gingrich's use of tax-deductible money for political purposes, and the inaccurate information he supplied to investigators, showed "intentional or...reckless disregard for House rules." The House was to vote on the recommendation on Jan. 29. Late last week, Gingrich's office said it was still uncertain whether he would sue campaign funds or his savings to pay the penalty.



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After a banner year, what should investors do next?

THE BEST AND WORST MUTUAL FUNDS

BY ROSS LAVER

I don't get much better than this. Or does it? With the annual RRSP season now in high gear—the deadline for 1996 contributions is March 3—Canadian investors are going crazy for mutual funds, shovelling money into them at an estimated rate of \$2 billion a week. The widespread enthusiasm for fund investing is not hard to understand. In a year when North American stock markets outperformed even the most optimistic forecasts, the average Canadian equity fund returned a juicy 25.9 per cent in 1995. Added to the previous year's 11.5 per cent average gain, investors have reaped \$41.30 in profit for every \$100 invested at the start of 1995. A few more years of stellar results like these and early retirement will be more than a distant dream for legions of RRSP-rich Canadians.

That, of course, is the pitch many mutual fund investors want to hear—and see. The financial services industry is only too happy to pump out. But savvy investors know that the markets, like returns of any go-round, tend with big risks. Consider what happened in early 1994, when funds that invest in Latin America and other so-called "emerging markets" were boasting average year-over-year gains of 70.5 per cent. Hoping to achieve sim-

Mackinn's Marketing Belations Poll

Q. Which of the following investments do you hold?



Q. If there were a big crash in the stock market, would you increase, decrease or maintain your holdings of stocks or stock mutual funds?



Taking orders at
Trenk in Toronto
a flood of cash

ilar returns, thousands of RRSP holders across the country pulled money out of GICs and shuffled it into emerging-market funds—only to see the value at their investment's plateau 9.5 per cent by the end of 1994 and another 12.4 per cent in 1995. The sector managed a modest improvement in 1996, but investors who jumped in three years ago are still showing a loss.

Such hazards, and how to avoid them, are the basis of this 16-page report on mutual funds. The package includes rankings of the best and worst funds in six major fund categories based on returns over three and five years, as calculated by BellCharts Inc., an independent Toronto-based company that analyzes fund performance. Also featured are the results of an exclusive cross-Canada poll of investors conducted for Mackinn's by Marketing Solutions, a financial services consulting company. In addition, an advertisement provides advice from the experts on how to avoid some of the most common mistakes committed by mutual fund buyers (page 46).

With mutual fund assets growing at a breakneck pace, the need for such information has never been greater. Indeed, since



Mackinn's BellCharts Rankings

WHAT THE RANKINGS MEAN

Three-year annual compound return: Annual compound rate of return over three years. **Risk-adjusted three-year return:** A fund's three-year compound return divided by its standard deviation—a measure of volatility. The number is a ratio that weights return against the degree of risk. The higher the number, the greater the return for the amount of risk. **Average one- to five-year annual return:** Average annual return over five years. Shows which funds performed best in the medium term.

CANADIAN EQUITY Funds that invest in shares of Canadian corporations (3 years: 145 funds; 5 years: 124 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

APC Advantage Fund	24.2%
Horizon Value Investors Fund	22.2
Phillips, Hager & North Value Fund	18.2
Index Equity Fund Ltd.	17.4
Optima Canadian Equity Fund	17
Equitable Life Inst. Common Stock	16.9
Scotiabank Canadian Growth	16.6
McLean Equity Funded Canadian	15.7
Altitude Investment Corp.	15.5
Phillips, Hager & North Profit-Potential Fund	15.7

WORST

Canbridge Growth Fund	-4.8
Canadian Protected Fund	2.1
Trust Grande Value Fund	3.4
University Avenue Canadian Fund	3.5
Delphi Growth Fund	3.8

TOP 10 RISK-ADJUSTED 3-YEAR RETURN

Arg. Canadian Fund	1.48
Canbridge Security Fund	1.6
Optima Canadian Equity Fund	1.63
APC Advantage Fund	1.65
Phillips, Hager & North Value Fund	1.63
Horizon Value Investors Fund	1.76
Equitable Life Inst. Common Stock	1.84
Index Equity Fund Ltd.	1.94
Standard Life Mod. Equity Fund	1.92
Shearwater Canadian Equity Fund	1.77

WORST

Canadian Protected Fund	-2.04
Canbridge Growth Fund	-2.15
Delphi Growth Fund	-4.05
University Avenue Canadian Fund	-4.02
Trust-Canada Value Fund	-4.05

TOP 10 LARGEST 3-YEAR ANNUAL RETURN

APC Advantage Fund	36.05
Altitude Investment Corp.	36.0
Phillips, Hager & North Value Fund	23.7
McLean Equity Funded Canadian	24.7
Index Equity Fund Ltd.	23.5
Scotiabank Canadian Growth	23.0
Horizon Canadian Equity Fund	22.8
Scotiabank Growth	22.6
Scotiabank Growth Equity Fund 'M'	22.2
McLean Equity Funded Canadian	22.2

WORST

Canbridge Growth Fund	4.5
Canadian Protected Fund	4.6
Delphi Growth Fund	4.6
Altitude Canadian Select Growth	7.7
Altitude Compound Fund	8.3

fund managers on severely keep up with the life of money working into their accounts. During 1998, the total amount invested in Canadian stock funds—currently the hottest fund category—reached a whopping 62 per cent to \$58.2 billion.

Counting mutual funds of all types, investors had a record \$211.8 billion stashed away by the end of 1998, 45 per cent more than at the beginning of the year and five times as much as at the start of the decade. Industry players expect the total to be \$250 billion by the end of the current RBCP season and \$400 billion by the year 2000. "It's huge—unprecedented," says Sherry Cooper, chief economist for Neff-01 Barris Inc., a Toronto-based brokerage. She believes that fund sales will continue to swell over the next two decades as anxious baby boomers shift away from consumption to wealth money into their RRSPs for retirement. "The perception is that the government isn't taking care of us in our old age, so we'd better take care of ourselves."

The exploding popularity of fund investing is certainly a boon to the financial services industry. Along with the major local competitors, Canada's banks and trust companies are pulling in fat profits from their mutual fund operations—a key reason why the combined earnings of the Big Six banks hit a record \$6.3 billion in the 1998 fiscal year. By all accounts, the fund industry will be even more of a money spinner in 1999. "We're really excited," says John Wilkinson, marketing vice-president for Investors Group, Canada's largest fund company with \$85 billion in assets under management as of Dec. 31. To handle the seasonal rush, Investors Group has taken on board an additional 10 temporary administrative staff at the Waterloo headquarters, doubling the total to about 340. "If you look at the orders coming in as it is a daily basis, there's a lot more activity this year than last. It's going to be a great year."

The increasing popularity of fund investing makes, in some eyes, a positive development for the Canadian economy. "I

Marking Solutions Poll

Q. Which of the following is the best investment to make right now?



consulting firm, Grant Associates Inc. and Upper Analytical Services Inc., revealed that Canadian households that invest in mutual funds have, on average, \$7,621 in total assets. Fully half of them had more invested in mutual funds than to 1998.

For a more detailed look at who is buying mutual funds, Marketing Solutions conducted a telephone poll of principal or joint financial decision-makers in a representative sample of 1,000 Canadian households with at least \$40,000 in savings. Results of the survey, which was carried out for Markin's between Nov. 3 and Nov. 12, are considered accurate within a margin of error of plus or minus 3 per cent.

Nationally, 49 per cent of the respondents said that they have money invested in mutual funds, making that category the single most broadly held form of security. By comparison, 43 per cent hold GICs, 38 per cent have Canada Savings Bonds, 38 per cent own individual company shares and 38 per cent have money in term deposits or other forms of guaranteed security.



think it is very healthy." Finance Minister Paul Martin told Markin's in a recent interview. "As a country, our savings rate is quite low. So to the extent that Canadians are saving for their retirement, I think that speaks well for the future." In particular, Martin upholds the growing number of Canadians who are choosing to invest in Canadian corporations through equity mutual funds. "The key to the economy is very important. The more that Canadians can identify with the health of Canadian companies, the better it is going to be."

In the past few years, Canada's mutual fund industry has grown significantly. A survey last June by Marketing Solutions concluded that 40 per cent of Canadian households currently have money in one or more mutual funds. That compares with 34 per cent in 1995 and 26 per cent in 1993. A separate study by two U.S. consulting firms, Grant Associates Inc. and Upper Analytical Services Inc., revealed that Canadian households that invest in mutual funds have, on average, \$7,621 in total assets. Fully half of them had more invested in mutual funds than to 1998.

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Refr. after a five-year hot run, should investors just wait?

trail, age appears to have little influence on the decision to invest. Mutual funds are held by half of all respondents aged 18 to 34 and slightly more than half of respondents between the ages of 35 and 64. Only after retirement does fund ownership fall off, to 39 per cent of respondents 65 or older.

Clearly, most of those who have placed money into mutual funds are convinced that they made the right decision. Almost 50 per cent "exceeded" (30%) or "met" (49%) their expectations. "We're the best to make right now," 30 per cent of those questioned chose mutual funds. The second most frequent answer was real estate (17 per cent), followed by GICs and other bank deposits (13 per cent), individual stocks (12 per cent) and government or corporate bonds (seven per cent). Separately, 68 per cent of investors said that the best way to invest in the stock mar-

Q. In the long run, what sort of stock market will produce for you?



dent Dan Richards. "I'm clear that mutual funds are the safe and easy the historic choice of Canadian investors." For all that, Richards sees some worrisome signs in the poll results. He points out, for example, that of the respondents with \$50,000, 39 per cent have none of their savings in foreign assets. Another 18 per cent have less than the legal maximum of 30 per cent and 11 per cent said they were unsure whether their retirement savings plans included any foreign assets. In other words, only about one in five are taking full advantage of the long-term-contract limit on KRRS—even though financial planners agree that the best way to maximize long-term returns and reduce risk is to invest as much as possible in international securities, whose returns tend to be higher.

The investors in the survey were also asked to rate their own level of knowledge as investors. Twenty-one per cent described themselves as "very" or "fairly knowledgeable," 41 per cent said they were "somewhat knowledgeable" and 30 per cent said they were not very or not at all knowledgeable. It is in response to a follow-up question, July 10 per cent said that they would less than five hours a year reviewing their portfolios and considering different investment options. "What's really astonishing is that these people have at least \$10,000 in savings," Richards said. "When we compare

these results with the answers to some of our investor literacy questions, it turns out that a significant number of Canadians think they know a lot about about investing but don't. And that's dangerous. The people who are really in trouble are the ones who don't know what they don't know."

lost in through equity instead of funds, rather than purchasing individual shares. "Even among people who have high household incomes, and are therefore as possibly more sophisticated, it is not very good," said Marketing Solutions' senior

all the more reason, then, why Canadian investors should look for straighter-headed, objective information that can help them identify the best mutual funds for their needs. The need for careful planning is especially strong now, with



Markin's BestCharts Rankings

CANADIAN SMALL CAP

Funds that invest in small- and midsize corporations (3 years: 32 funds; 5 years: 20 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURNS	TOP 10 5-YEAR ANNUAL COMPOUND RETURNS	TOP 10 AVERAGE 15-YEAR ANNUAL RETURNS
Maxwell Equity Fund 47.2%	Seigneur Equity Growth Fund 3.9%	Horizon Opportunities Fund 15.7%
Northgate Opportunities Fund 27	Capital Select Growth Fund 4.3%	Horizon Equity Fund 14.8
Scapito Equity Growth Fund 25.1	Maxwell Equity Fund 4.0%	Maxwell Small Cap Fund 14
Capital Select Growth Fund 23.9	Intelligent Next Generation Fund 4.0%	SP Capital Small Cap Fund 13.7
Millennium Next Generation Fund 22.7	Canadian Enterprise Fund 'X' 3.5%	Seigneur Equity Growth Fund 13.1
26/20 RSP Appropriate Fund 21.4	Blair Small Cap Fund 3.3%	Canadian Enterprise Fund 'X' 12.4
SP Capital Select Growth Fund 20.9	Spectra Small Cap Fund 3.0%	ABC Fundamentals Small Fund 12.3
Pacific Special Equity Fund 19	SP Capital Small Cap Fund 2.9%	ABC Fundamentals Small Fund 12.3
Canadian Enterprise Fund 'X' 18.5	ABC Fundamentals Small Fund 2.7%	Spectra Small Cap Fund 12.1
Blair Small Cap Fund 17.7	Blair Small Cap Fund 2.7%	

CANADIAN BOND

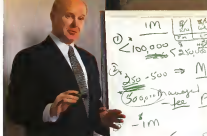
Funds that invest in bonds and other fixed-income securities (3 years: 97 funds; 5 years: 83 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURNS	TOP 10 5-YEAR ANNUAL COMPOUND RETURNS	TOP 10 AVERAGE 15-YEAR ANNUAL RETURNS
Dynasty Income Fund 6.4%	Seigneur Equity Growth Fund 3.9%	Horizon Opportunities Fund 15.7%
26/20 RSP Appropriate Fund 6.4	Capital Select Growth Fund 4.3%	Horizon Equity Fund 14.8
Millennium Next Generation Fund 6.4	Maxwell Equity Fund 4.0%	Maxwell Small Cap Fund 14
Capital Select Growth Fund 6.4	Intelligent Next Generation Fund 4.0%	SP Capital Small Cap Fund 13.7
Millennium Next Generation Fund 6.4	Canadian Enterprise Fund 'X' 3.5%	Seigneur Equity Growth Fund 13.1
26/20 RSP Appropriate Fund 6.4	Blair Small Cap Fund 3.3%	Canadian Enterprise Fund 'X' 12.4
SP Capital Select Growth Fund 6.4	Spectra Small Cap Fund 3.0%	ABC Fundamentals Small Fund 12.3
Pacific Special Equity Fund 6.4	SP Capital Small Cap Fund 2.9%	ABC Fundamentals Small Fund 12.3
Canadian Enterprise Fund 'X' 6.4	ABC Fundamentals Small Fund 2.7%	Spectra Small Cap Fund 12.1
Blair Small Cap Fund 6.4	Blair Small Cap Fund 2.7%	

the Toronto Stock Exchange 300 index reached a record high of 13,100 after a year full on. Should investors play it safe and pull out of the market? Or should they stay in the hope that low inflation, low interest rates and low corporate profits—not to mention the huge volume of cash sitting on stock-based mutual funds—will combine to keep the market chugging forward?

For what it's worth—and the market often proves the professionals wrong—the consensus among analysts at the moment is that 1997 should bring modest gains. But a major risk factor could be raised out, especially if interest rates rise significantly or corporate profits fall. However, those trying to predict the future, says Bob Bell, president of BellCharts, investors who are in for the long haul are best advised to stick with a balanced fund portfolio of domestic and foreign stocks, bonds and other instruments.

Because there are so many possible ways of measuring fund performance, Maclean's began the ranking process by consulting three seasoned investment professionals: Eric Kinnaird, adjunct associate professor of finance at the University of Toronto and co-author of *The Fundwise Advantage*; Wendy Bradman, manager of asset consulting at The Kinnaird Group, a financial services consulting firm; and John Kinnaird, director of academic affairs and research for the Investment Funds Institute of Canada, which represents most of the country's fund companies. Their advice, instead of focusing on 1996 results, looks at a fund's track record over the longer term, taking into account the level of risk it incurred to achieve those returns. Based on their suggestions, BellCharts ranked the best and worst funds according to three different measures: the annual compound return over three years,



Maclean's: 'The people who are in trouble are the ones who don't know what they don't know.'

TOP 10 FUNDS OF 1996

1. BPI Canadian Opportunities FOP Fund 89.1%
2. Fidelity Germany Fund 72
3. Green Line Precious Metals Fund 70.1
4. Columbia Special Growth Fund 69.8
5. Dynamic Global Resource Fund 68.5
6. AIC Advantage Fund 66.5
7. AIC Diversified Growth Fund 66.1
8. Maxxim Precious Metals Fund 56.7
9. Global Strategy Gold Plan Fund 57.9
10. Bonded Goodman Small Cap Fund 52.4

They are the winners, the 10 hottest funds of 1996. Investors who were wise—or lucky—enough to put their savings in one or more of these for the year posted profits of between 52.8 and 89.1 per cent.

Impressive numbers, to be sure. But that is no reason to rush out and buy them, cautions Bob Heikel, a professor of finance at the University of British Columbia. "Based on your investment decisions on one year's performance is dangerous at best," he says. "In one year, almost anything can happen." Adds Richard Groll, co-author of *The Fundwise Advantage*: "In many cases, last year's winners may turn out to be this year's average players." Groll recommends identifying a diversified portfolio, not staying put for at least five years. After all, investors who chase hot funds often get burned.

U.S. EQUITY Funds that invest in shares of U.S. companies (3 years: 75 funds; 5 years: 52 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

Investment U.S. Emerging Growth	20.4%
McLean Buffett Funded American	20.4%
Spencer Smith American Growth	20.2%
150 Action American	19.9%
AIC Value Fund	19.9%
Phillips, Hager & North U.S. Funded Portfolio	19.8%
Green Line North American Growth	18.8%
Green Line U.S. Index Fund (50 S.)	18.3%
Canada Trust Diversified American	17.7%
Publicly Traded American Fund	17.7%

TOP 10 5-YEAR ANNUAL COMPOUND RETURN

Investment U.S. Emerging Growth	14.4%
First American Fund	14.4%
Green Howard American Fund	14.4%
Green Line North American Growth	14.4%
Investment U.S. Emerging Growth	14.4%

TOP 10 3-YEAR ADJUSTED 3-YEAR RETURN

360-Action American	6.34
Investment U.S. Growth Fund	5.1
McLean Buffett Funded American	4.8
Green Line U.S. Index Fund (50 S.)	4.4
PH & N Funded Portfolio	4.37
Scotts Capital Growth Fund	4.34
McLean Buffett Funded American	4.294
Canada Trust Diversified American	4.201
AIC Value Fund	4.19
Green Line North American Growth	4.14

TOP 10 5-YEAR ADJUSTED 5-YEAR RETURN

Century 31 Fund	-4.21
Century 31 Fund	3.77
Canada Trust Diversified American	-3.93
Green Howard American Fund	-3.92
Investment U.S. Emerging Growth	-4.1

TOP 10 3-YEAR 1-YEAR ANNUAL RETURN

AIC Value Fund	30.36
SP1 American Small Companies	23.1
Phillips, Hager & North U.S. Funded Portfolio	22.1
Investment U.S. Emerging Growth	21.1
McLean Buffett Funded American	20.8
Phillips, Hager & North U.S. Equity	20.4
360-Action American	20.1
AIC American Growth Fund (50 S.)	19.3
Chase American Fund	18.7
Green Line U.S. Index Fund (50 S.)	18.1

TOP 10 5-YEAR 1-YEAR ANNUAL RETURN

First American Fund	4.8
Century 31 Fund	4.6
Investment U.S. Emerging Growth	4.6
Green Howard American Fund	4.2
Investment U.S. Emerging Growth	4.2

the reimagined three-year return, and the average annual return over each of the past five years. (Funds that have not been in existence for at least three years were not included in the rankings. Nor do the rankings consider specialty funds—such as those that invest primarily in precious metals or resources—which tend to be more volatile than other equity funds and suitable mainly for experienced investors.)

The accompanying lists of best and worst funds in six major fund categories identify funds that have performed well in the current year. The experts caution, however, that a fund's history is no guarantee of future performance, and that investors should study a fund's performance style before deciding whether to put money into it.

A case in point is the AIC Advantage Fund, which outperformed all other Canadian equity funds with a three-year annual compound return of 26.7 per cent and an average annual return over five years of 18.8 per cent. Unlike many other equity funds, AIC Advantage in-

Maclean's Marketing Solutions P.E.

Q. What proportion of your 1996 investments are outside Canada?



- None
- Less than 20%
- 20%
- More than 20%
- Don't know

caught up to the latest market hype, may mean more of the red-hot gains, but they will also likely avoid being left by some red dogs. In building a long-term investment plan, the goal should be nothing less.

With JAMES SCHWARTZ in Toronto

Maclean's BellCharts Rankings

CANADIAN BALANCED

Funds with mixed portfolios of stocks and bonds (3 years: 111 funds; 5 years: 95 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

AIC Fidelity Managed Fund	34.7%
Global Balanced Associates	34.7%
Bay Growth and Income Fund	34.7%
Bay Growth and Income Fund	34.7%
Bay Growth and Income Fund	34.7%
Bay Growth and Income Fund	34.7%
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TOP 10 5-YEAR ANNUAL COMPOUND RETURN

Bay Growth and Income Fund	34.7%
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TOP 10 3-YEAR ADJUSTED 3-YEAR RETURN

Bay Growth and Income Fund	34.7%
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TOP 10 5-YEAR ADJUSTED 5-YEAR RETURN

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TOP 10 3-YEAR 1-YEAR ANNUAL RETURN

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TOP 10 5-YEAR 1-YEAR ANNUAL RETURN

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Bay Growth and Income Fund	34.7%

GLOBAL EQUITY

Funds that invest in companies anywhere in the world (3 years: 66 funds; 5 years: 46 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURN

Bay Growth and Income Fund	34.7%
Bay Growth and Income Fund	34.7%
Bay Growth and Income Fund	34.7%
Bay Growth and Income Fund	34.7%
Bay Growth and Income Fund	34.7%
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TOP 10 5-YEAR ANNUAL COMPOUND RETURN

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TOP 10 3-YEAR ADJUSTED 3-YEAR RETURN

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TOP 10 5-YEAR ADJUSTED 5-YEAR RETURN

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TOP 10 3-YEAR 1-YEAR ANNUAL RETURN

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TOP 10 5-YEAR 1-YEAR ANNUAL RETURN

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Building wealth the smart way

Three financial experts offer their prescriptions for successful investing

THE NEW YORK TIMES
MUTUAL FUND
FOUNDALE

Buy low, sell high. That old adage of investing sounds easy, but even many experienced mutual-fund owners find it hard to avoid costly errors. Maclean's invited three investment professionals—John Kaseel, director of academic affairs and research for the Investment Funds Institute of Canada, Wendy Brodwin, manager of investing at Toronto's Perrie, and Eric Kirman, adjunct associate professor of finance at the University of Toronto—to discuss the most common investment errors. Edited highlights.

Maclean's: What kind of mistakes do you see mutual fund investors making?

Kaseel: Misreading objectives and unrealistic expectations are two mistakes that go hand in hand. All I think we're going to be seeing a lot of these this RRSP season. You have individuals who are looking for regular income and yet they invest in a high risk growth fund. If they understand what they were buying, they would have never bought that fund in the first place. The other problem is that every body's looking at those double digit returns in 1999—some to 20 per cent—but many of those funds are not going to be able to repeat those performances. So we're encouraging lead representatives to temper their clients' expectations.

Brodwin: I think the real stomach concern consistency—the investor who assumes that because he got a high return this year, he's going to get a high return next year. In fact, it's the opposite. If you get a high return this year as Canadian equities, your return next year is probably going to be zero. People think there's some consistency built into it when in fact there is not. **Kirman:** The way I look at it, there are two numbers. If you look at a balanced portfolio over the past six years, you'll see it rose in around 12 per cent a year. But if you look at long-term trends, the average is between seven and eight per cent. Equities come in around 10 per cent, bonds come in around six, maybe 6.5, and money funds at four or five, based on long-term inflation of about three per cent. So the magic number is around eight, and that's probably the best projection you can come up with for the future. **Brodwin:** What worries me is not what people overlook in picking funds. It's that they're picking funds in the first place instead of setting out a diversified investment policy and sticking with it for 10 or 20 years.

Kaseel: You're right. A major error of a typical investor is the failure to look at a proper allocation among asset classes. A lot of



'I don't think there's any rhyme or reason for the fees being charged'

Brodwin: once many sophisticated investors also make basic mistakes

then practice diversification among funds—say, four different growth funds. That isn't enough.

Brodwin: My favorite story involves a group of sophisticated directors on a corporate board in 1993 when the international markets did just great, 30 per cent, and their particular fund did 40 per cent.

One of the guys said, 'Hick, my mutual fund did 100 per cent.' It turned out he was talking about a Hong Kong fund. Well, the Hong Kong market as a whole did 100 per cent that year in other words, he wasn't considering the market effect.

Kirman: I couldn't agree more. I can't tell you how many phone calls I've received from people saying things like, 'My Latin American fund is down eight per cent. What am I going to do?'

Then it turns out he also owns European funds and they're up 20 per cent. My approach is, look, it doesn't matter what the Latin American fund is doing, it doesn't matter what the European fund is doing. How's your portfolio doing?

Maclean's: How can investor discretion about what should be in their portfolios?

Brodwin: I get calls like this all the time. Frankly, I don't think you can measure the worth of a good financial planner in this business. But where are the financial planners who are supposed to be telling people things like that?

Kirman: The lesson is, do a good job in your asset allocation and 80 per cent of the battle is won.

Kaseel: But how do you know the appropriate percentages? There's no magic solution.

Kirman: No, but there are reasonable guidelines. My basic approach is 20 per cent safety, which means treasury bills, money market funds and cash, 30 per cent income—that's bonds,

portfolios and GICs, and 50 per cent growth, or equities. And virtually every time I describe an asset-allocation program, it's somewhere close to that range.

Maclean's: Is the problem that there is a shortage of good financial planners? **Kaseel:** You have to be careful. There are a lot of labels in this business, investment advisers, financial planners and so on. Most people are dealing with a financial services rep, and only about 15 per cent of them have the skills to do a proper analysis of the needs of the individual in light of what's happening in the market. They're more likely to sell the floss of the month.

Kirman: I think sometimes people are getting the right message but it's not what they want to hear.

Kaseel: You're right. They're hearing that their neighbor made 55 per cent, whereas they're averaging 13 or 14 per cent. They'll say to their rep, 'Hey, why didn't you put me into that fund that earned 35 per cent?'

Brodwin: Again, it's unrealistic expectations. One of my clients says the problem is that people think investing is something—there's a sense of good times, it's easy, it's exciting, it's boring. You take your money and you invest. If you want to see how you're doing, you're out. **Kirman:** Or take two per cent of your portfolio and set it aside for excitement. Otherwise, you're talking about 'boring' syndrome—the fear of missing out on the big one. It's a mental disease and it's very dangerous.

Maclean's: Do you agree that investors aren't getting good advice?

Kirman: I agree we've got a long way to go in training advisers, but we've also got a long way to go in educating the public. I like the comment that people think investing is supposed to be exciting instead of hard work. It turns out that the person who's been willing to grind it out for the past 20 years with a nice, steady asset-allocation program has done very well. It's hard to imagine a diversified portfolio that hasn't performed well over the past 20 years.

Brodwin: I don't think it's that people aren't trained or educated well enough. I think the point is that there are a generally accepted standards for investing. What are really exceptional?

Kaseel: The current standard is that more is preferred to less.

Maclean's: You mentioned the excitement/panic. What kind of mistakes do those people make?

Brodwin: Number 1, people look at the short term rather than the long term. I know people who have been sitting on the sidelines [rather than investing] in U.S. equities for a couple of years. They're looking at the S&P 500, and it's down 10 per cent. They're saying, 'I can't take this. I'm out.' Well, if the market had crashed like it did in 1929, a year later it would be back to the same level. So why do people care, unless they need the money now?

Maclean's: And if they need the money now, they shouldn't be in the equity market in the first place.

Kirman: Exactly. You've got to sit back, build that portfolio and let the returns come to you. If you tactically trade, you run the risk of being out of the market at the wrong time. That's very dangerous. You shouldn't be changing your mix unless your needs change.



Kirman: You shouldn't be changing your mix unless your needs change

Maclean's: But once you establish your portfolio, there should be some maintenance. I think people are sometimes too passive to make some modest corrections or adjustments. **Brodwin:** Yes, but there's a danger in tinkering. I've seen even very sophisticated investors say things like, 'My money manager isn't doing well—I'm going to flip over into an index fund, which simply tracks the market.' And all of a sudden you go into a bear market and they're saying, 'Gee, I'm underperforming so I'll better flip back.' They're going back and forth and they're getting whiplashed.

Kirman: That type of trading occurs at the individual investor level and at the portfolio manager level. And all it leads to is disinvestment losses and costs in terms of being out of the market at the wrong time. That's the biggest mistake people make.

Brodwin: Coming back to making corrections or adjustments, I think the danger lies in how much they're

going to adjust their portfolios.

Kaseel: I'm talking about modest adjustments. There are some people who establish their portfolios and stick with it, no matter what. Personally, I believe strongly in rebalancing your portfolio over time to take account of market movements. **Kirman:** In other words, if you're targeting a ratio of 40 per cent debt, 60 per cent equities, and as a result of a strong equity market the balance has moved to 30/70, rebalancing would mean selling equities and buying debt to bring it back to your target. That's all.

Maclean's: Suppose an investor understands diversification and asset allocation. What should persons keep in mind in choosing specific funds? For example, what about things like funds—concentrated—and managed funds?

Kirman: I think a lot of people focus on loads and ignore the interaction with annual advisory fees. Some advisors focus on no-load funds and overlook the fact that those funds may have higher advisory fees. You have to look at the total package.

Kaseel: That's a valid point, but I don't think costs are that critical. I believe the expected return is more important. Main agreement fees and related costs are more relevant for a low-income fund, such as a money market fund, where the costs represent a high percentage of the return.

tain, as opposed to equity funds where the costs as a percentage of expected return are considerably less.

Maclean's: What's your perspective on fees?

Brodwin: Number 1, I don't understand why anyone's paying anything for any fixed-income money market fund or bonds.

Kaseel: There are structural costs that have to be borne.

Brodwin: I don't know how to cut this one out, but I don't think there's any rhyme or reason for the fees that are being charged. The other point is this fund business—this is the thing I can really get excited about. The loads are being charged to pay for the sales force, and what the sales force is doing is getting busy advice because they're not being paid directly for it. I mean, how many financial planners out there are actually paid for financial planning? Five per cent, 10 per

It's called 'lottery syndrome—the fear of missing out on the big one'

Kassab: Barely five percent. But that's a function of consumers. A proper 500-hour plan can take from eight to 10 hours. You're looking at \$200 or \$125 an hour for the expertise. And consumers will not shell out \$1,000 or so for financial planning advice.

Brodtkin: They'd rather buy a lottery ticket.

Kassab: My point is that there has to be dramatic change before we have more financial planners delivering services on a fee basis as opposed to relying on things like trailer (advisory) fees.

Korman: But that gets to the heart of what's wrong with the industry—the lack of transparency. A typical investor sees a no load fund and assumes that a salesperson isn't being paid. In fact, the salesperson is getting a portion of the advisory fee. And they may not be earning what they're getting.

Maclean: Is the problem that consumers are unwilling to pay for independent advice, or that the industry is overcharged?

Brodtkin: I think it's both. And the reason that consumers are unwilling to pay for advice comes back to this lottery-ticket idea. They don't think it's hard work so they don't get any value as it. This brings me to another point. If people don't have the time to monitor how their fund manager is investing, they should consider an index fund that will just give them the market return. That way they don't have to worry about how the fund is run. Because one of the big problems now is that these mutual funds are not being monitored—everyone thinks that someone else is watching at them.

Kassab: What do you mean by monitoring? Do you mean whether the manager is deviating from stated objectives?

Brodtkin: I mean things like unauthorized transactions. Or a slow determination in results because they're not investing the way they were before. Those are the things that can happen when the managers know that no one's looking at them.

Korman: I thought you were concerned that fund managers may alter their strategies to reflect new developments. You're alluding to questionable activities?

Brodtkin: Both. Style drift and questionable activities.

Kassab: I'd like to think my portfolio manager would adjust his strategy to reflect new realities. He can go on extra one or two percentage points because his research indicates he's better off overweighting the oil sector. I'd be happy with that.

Brodtkin: I'm not just talking about management styles. For example, a manager just cut one of my clients \$1 million because they didn't allocate certain securities to the client's account. The response was, "Whoa, sorry, we forgot. Our computer system didn't do it." So I'm talking about real mistakes. Or in some cases a may be dishonesty—who knows? And in the case of a mutual fund, with a whole bunch of investors, there's a dilution of responsibility. My background is in auditing, so I look for high-risk situations. And that is a high-risk situation, where everyone thinks someone else is monitoring.

Kassab: But there's so much information collected on mutual



Anxiety: the fund industry's fear of negative publicity is quite high

their name for cosmetic reasons or they were swabbed up by other funds. So whatever the numbers show for the performance of equity funds over the past 10 or 15 years, there's an upward bias because it doesn't include the real dogs that disappeared.

Brodtkin: That's one of the problems with the emphasis on return and performance—most client standard is, why in fact everyone knows that the numbers themselves don't mean anything.

Kassab: Well, if we didn't have those standards a lot of people would be cooking things up.

Brodtkin: They already cook things up.

Kassab: Well, it's not as bad.

Maclean: We've just been through a wildly deflated year and there's clearly a lot of nervousness about a possible crash. It sounds like the sort of environment in which re-

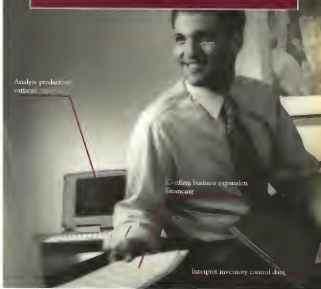
version can easily go wrong.

Kassab: Well, I think everyone's looking at the future and making certain assumptions. If we have stable interest rates and a reasonably good market, mutual funds are still going to be the thing. But the key is to have a balanced portfolio. Don't go for the house runs—for the singles.

Brodtkin: And if you have a financial plan or an investment policy, use your RRSP contribution this year to rebalance back to it. You might want to put more money into fixed income this year just to balance off what's happened with equities. But these are changes on the margin, not to any great extent.

Korman: Yes, I would only talk. If my long-term target is 20 per cent safety, 30 per cent income, 50 per cent equity, I wouldn't even try to predict what's going to happen this year. If I was really nervous, I guess I would put a higher proportion of my RRSP contribution this year into fixed income instead of equity, but that's the only concession I would make to nervousness. And frankly, if you have the stomach for it and you're in for the next 30, 15 or 25 years, don't even think. Go with 20-30-50 and be done with it. ☐

STRENGTH OF EXPERIENCE



Analyze production variance reports

Confirm business expansion financing

Interpret inventory control data

Experience helps a business succeed and grow. Especially the experience a CA brings to your organization.

CAs are highly educated and well trained in a wide variety of businesses, which means they do more than financial analysis. With a CA, you get strength beyond numbers.



Strength beyond numbers

The voice of reform

BY JOHN SCHOFIELD

In these first few seconds, it seemed like just another voice call—perhaps some smooth talker looking for free financial advice, or an angry mutual fund executive eager to blow off some steam. "My first thought was, 'How will I ever get off the phone?'" recalls Giorianne Stromberg, the author of a landmark 1995 report on the investment funds industry and a member of the Ontario Securities Commission. As it turned out, the voice on the line just fell far from a garden-variety investor who just wanted to express his thanks. "Every time I read about a new reform in the mutual fund industry," the caller said, "I just stand up and say 'Thank you, Giorianne Stromberg!'"

Such praise is rare for securities regulators, who are more accustomed to griping than praising. But when it comes to mutual funds, no one has done more to protect individual investors than Stromberg. Her controversial report, issued in January, 1995, was a critical review of virtually every aspect of the \$220-billion mutual fund business and unleashed a flurry of activity aimed at tightening up its operations. "The underlying theme of the report," says Ed Wright, the former OSC chairman who handed the task to Stromberg, "is that the industry has got to put investors' interests first."

Stromberg's recommendations—based on nine months of research and interviews with executives, fund managers, financial planners and the industry itself—tackled everything from the misleading fact files away from prospectuses to the sometimes cumbersome, costly nature of the regulatory system. The 256-page report highlighted the need for better-informed investors and a stronger self-regulatory organization to oversee the roughly 80,000 fund employees, insurance brokers, fund-company reps and financial planners who sell mutual funds. It also targeted the average Canadian's worst investment of government assets, and underlined the industry's responsibility to help educate consumers.

Stromberg earned some of her staunchest criticism, however, for what she termed "questionable" sales practices and incentives in the mutual fund industry. That includes "trail commissions," a backstop to the per cent annual commission that fund companies pay to brokers if their clients stay in particular funds. In most cases, Stromberg noted, trail commissions are deducted from the fund, indirectly reducing an investor's returns.

The report's criticisms of mutual-fund sales practices set the investment community abuzz, and stole most of the spotlight from the other problems that Stromberg tackled. By the time the fact article, however, the Investment Funds Institute of Canada (IFIIC), which represents most Canadian fund companies, had put in place a voluntary code limiting such sales incentives—though not trailer fees. In fact, says Wright, the industry has so far agreed to about 80 per cent of Stromberg's recommendations.

For that contribution alone, investors have good reason to be grateful. But the influence of Stromberg, a former securities lawyer, on the mutual funds business goes beyond her

report. Stromberg was also the driving force behind National Policy No. 24, a comprehensive set of regulations that effectively governs the Canadian mutual-fund industry. As a volunteer member of the OSC's securities advisory committee, she was picked in 1985 to write a landmark pitchbook of rules, developed over three days by provincial regulators, in a southern policy. After five months of negotiations, the policy was adopted by the country's 12 regulatory bodies in 1988. "I can't think of anyone else," says Harold Handt, chairman of the investment funds institute and an executive vice-president of Mackenzie Financial Corp., "who has played as great a role in creating the industry to look at so many issues for the purpose of protecting investors."

Stromberg did not set out to champion the rights of average investors. "I don't consider myself a consumer advocate," she says. "I guess I'm just motivated by a sense of fairness and integrity."

Those are values the 35-year-old Stromberg learned from her parents, Rhonda and David—a doctor who moved the family from Montreal to North Burlington, Sask., when Eruberta Giorianne was 3. "We cared about people," she says of her father. "I think that was an important lesson for going into medicine." None of his seven children followed him to medical school, but four chose another profession: law. Stromberg's sister, Susan, is a judge on the B.C. Supreme Court, while her brother, Robert, is a prominent lawyer in Saskatoon. Another sister, Bonnie, is a litigator-based lawyer specializing in health care and labor relations.

Stromberg's love for the law developed almost accidentally. As a 29-year-old with a BA from McGill University, she enrolled in Toronto's Osgoode Hall Law School on the advice of a professor. "I never really intended to practice, but I really quite liked it." In 1986, she joined the high-powered



Stromberg: I guess I'm just motivated by a sense of fairness

Toronto law firm of Cassels, Brock and Blackwell, where it did not take long for partner Robert Law to spot her talent. "She was always extremely hardworking, and, to a degree, a perfectionist," says Law, who has been with the firm for 40 years. Stromberg worked closely with Law for the next 25 years, specializing in corporate and securities law, including work for several mutual fund companies. "He's a very brilliant lawyer, and a great influence on me," says Stromberg.

By 1990, however, the law had lost some of its lustre. Stromberg had just turned 50, "and somehow the combination of 25 and 50 kind of blew my mind and I thought, 'As long as I'm practicing law, I'm not going to do anything else.' " Moved by the growing poverty she had witnessed 20 years earlier on a trip to South Africa, she became briefly involved in a Peace Through Film Canada and a South Africa Film Festival. Then, after a period of sitting on the boards of both organizations, she helped implement a corporate reorganization aimed at streamlining their operations. Although she has never married, Stromberg is the foster parent of a 14-year-old girl in Columbia, to whom she provides financial support.

Stromberg returned to the world of law and finance in late 1994, when then-OSC chairman Bob Wright invited her to serve as a part-time consultant. "There was no one on the commission who knew as much about capital funds, and she had vast experience," says Wright. "Plus, I thought it would be helpful to have somebody who is extremely meticulous. She's a line-by-line reader. Some people on the commission were much more big-picture people."

These same qualities persuaded Wright's successor, Ed Wright, to give Stromberg the job of reviewing the mutual fund business in February, 1994. "There are few people who are as knowledgeable and who care as much about the industry, but

it's precisely our duty to make sure," says Wright, now chairman of Teck Corp., a Vancouver-based mining company. Meanwhile, securities regulators in other jurisdictions have also taken notice. At the 19th International Investment Funds Conference in Toronto last fall, many of the 63 delegates, representing 31 countries, eagerly requested copies of the Stromberg report. "So many other countries are dealing with the same issues," says Handt.

Much acknowledgment that Stromberg's recommendations will benefit the mutual fund sector has also come from preserving the public's confidence in the industry. Even more important, he adds, the report has brought the industry and regulators together in order to protect investors. "I wouldn't be critical that she raised issues for discussion," says Handt. "I would be critical if she expected every one of her recommendations to be implemented. I wouldn't say that everything she says is gospel."

The fact that the industry has accepted most of Stromberg's recommendations is encouraging, says Stromberg, but now it's time for industry and regulatory action. Two years after the report's release, for example, the OSC has yet to pass its own rules on mutual fund sales practices, although it is expected to do so later this year.

Meanwhile, Stromberg waits, and patience is not one of her strong suits, says Wright. That's not the way she works. "I think I've been patient," she counters. "Some people have told me I've been too patient." Stromberg's secret patience stems from the OSC made in December of this year, but there it is: she says she will speak out about what she believes. "She's a fighter," says Wright. "She basically doesn't care what other people think of her. She thinks she's doing the right thing." With an attitude like that, Stromberg is bound to receive more calls from appreciative investors, not to mention a few critics. ☐

TRACKING THE PROPOSALS

A progress report on some of Giorianne Stromberg's recommendations:

Canada should create a national system of securities regulation.

The Investment Funds Steering Group, an industry body set up to address Stromberg's report, endorsed this proposal in November. The issue is before the federal and provincial governments.

Mutual fund managers should adopt a code of ethics dealing with such issues as personal investing.

The Investment Funds Institute of Canada is reviewing a proposal for strict rules, but not a ban, on personal investing by fund managers.

Mutual fund "trailer fees" and marketing costs should no longer be charged to the fund.

No action. The investment industry has defended the current practice.

A task force should set mandatory educational standards for financial planners.

The Financial Planners Standards Council was created last year to set voluntary standards. Individuals who use the title "financial planner" would still not be required to have official accreditation, except in Quebec, where they are already regulated.

Canada's prophets of profit

BY JENNIFER WEISS

Jerry White is standing at the podium, a microphone in one hairy hand, looking for all the world like a Catholic comedian just his piece. The navy-blue shirt. The tired eyes. The washable wire-rimmed glasses. Pretty nice.

But White is by no means an humorist. He is instead one of the hottest draws on the financial speakers circuit this season. As interest rates have plunged to 40-year lows, in an estimated \$60 billion in guaranteed investment certificates come due in the next six months, so the stock markets set a blistering pace, Canadians are searching for personal financial redemption. They seek them Canada. They seek Garth Turner. They seek Gordon Pope, who says that with interest rates so low, "people are scrambling for yield."

They come in droves. At a Pope seminar in Saskatoon, 1,000 people lined up in a midtown conference centre, through the foyer, down the street and around the corner of Taseco's 9 was-40-C. But this, it was free, as are all such seminars. The speakers are compensated from the back end, as it were. For example, Pope is sponsored by a wide range of companies hungry for new customers: from bankers to financial planning firms to mutual fund companies. He gets paid \$5,000 a pop in the afternoon, \$2,500 in the two two-hour countdown to the 10:00 deadline.

White says he gets more than that. He will not say how much more. Unlike Pope, White is pretty much tied to a single sponsor, Fortune Financial Corp., a high-volume mutual fund seller. On behalf of Fortune, White this season is giving seminars from coast to coast. One day, somewhere near, bringing "Mr. and Mrs. Canada," as he likes to say, "maximum their wealth creation."

Sounds irresistible. And White has a simple, if aggressive, advice: that banks are absolutely the worst place for your money; that stockholders are owners and nothing more, that the only sensible route for wealth-creating Canadians is the mutual fund plan, any advice offered, of course, by Fortune. But there is a problem. Seminar speakers are overpaid and underappreciated. They may offer objective, independent information. Or they may not.

On this day, White gives the crowd a working over. "In the Seventies," he says, "people were scared, defeated, misled into believing that somehow or another a GIC at 12 per cent, despite a rate of inflation being 14, was a better investment, and of course it wasn't." It was, instead, "the destruction of your capital." A total fraud and misrepresentation. He turns serious about "the magic

Investors are flocking to financial planning seminars—but are they getting the right advice?



White (left) and an audience member. "We have no mutual interest"

of GICs and savings bonds," all the "10-year compound interest bond sold by Savings Canada until Nov. 1 that says we will not pay you any money for 12 years, but you must report interest to come not received on your tax return each and every year for those 12 years, and pay income tax each and every year as an interest-free loan to the government of Canada for 12 consecutive years for an effective yield of minus 2.8 per cent per annum," and about daily interest accounts that pay 0.1 per cent, "doubling your net worth in 184 years." People, he says, "have not got the message." Who among them will not nod their heads, acknowledging the sheer barrier of it all?

Like a preacher in his flock, White offers financial redemption. It can be found, he says, at Fortune Financial, which offers "complete independence from product vendors. We have no vested interest in the products we recommend."

For a short time, White did have a vested interest. Last summer, he became chairman of Fortune Financial and, he says, ended up an undisclosed sum to buy 25 per cent of the company, 13 per cent of the voting shares. It was a big deal for White, who has had his troubles, including the ultimately disastrous leveraged buyout of the Toronto-based, and now defunct, Mother's Joint Club. Fortune was meant to be White's way of getting a piece of the rock. But the Fortune gambit did not turn out well. "I was chairman for about 10

years," he says. "I got so much kick from my media, I said, 'Then what's worth it.' I left my independence as the single most important decision. I didn't want anything clouding it. I said, 'Here are your shares back, give us back my dog.'"

Underlying all this suggestion of independence, White barreled through a recent presentation at a hotel in suburban Toronto to a

Canadian speaking at a seminar in Montreal, Quebec, on the prospect of having a list."

group of more than 100 seeking estate planning advice. He talked of self-directed registered education savings plans with the investor as the beneficiary. He talked of trust accounts. He moved on to royalty trust units, which provide income streams from a range of resource assets, primarily oil and gas, and which are now a hot commodity. "They're being purchased in enormous quantities by major pension funds and by major mutual fund companies for their own portfolio," said White.

It is here that the White spiel takes an interesting turn. He asks himself a question. "Is it appropriate for people to have a list?" And he provides the answer. "Only for those who are still breathing."

At the head office of Fortune Financial in Scarborough, Ont., executive vice-president Patrick Wang says he has no control over what White says. It was Wang who sponsored this particular White seminar, who sat at the dais through most, and who stands to benefit from any business that comes Fortune's way as a result. Fortune's seminars, he says, "are meant to give people a little bit of a nudge for some of the things that are available other than GICs." They are meant to be "educational," he says.

A small rocky check. On the subject of the monthly income stream as "tax protected." Not so. The income is, in fact, tax deferred. White further addressed so-called trusts of trusts, "a royalty trust that has the shares of already listed royalty trusts." They sound like a good idea, he says. "That listed 4 1/2 percent, \$350 million, went out the door, once again, to institutional investors, because

that structure represented the lowest risk way of buying them." Not quite. In fact, last by a long shot, Canadian Resources Income Trust (CRIT) was a \$200-million issue led by ScotiaMcLeod Inc. The first allocations were made on the November 15, 1997. The trust closed on Dec. 6. Points of sale consequence, perhaps. What is key is that the entire issue went north, that is, to individual investors. None of it sold as White said, institutional. Which is not to say that there is anything amiss about CRIT, but rather about White's characterization.

Once setting the scene for the appeal of royalty trusts, White leads the hook. "I understand there's going to be a new one coming out some time in the next two weeks. This new investment partly in oil and gas, he says. "You might have heard of oil and gas? Perhaps you've heard of New South is oil today? \$26.30, you said? How much was it last year on this day? \$29.04, you said? Does that mean it went up? No, of course not. You wouldn't want to own it because if you did you'd be rich. It's gold lying there on the streets. So if you are at all interested in it, Patrick Wang has a large allocation of it. But unfortunately, it is first come, first served. If you call him up in March, he will give you a few more." But you will not be able to get it. It will disappear in about two days.

White recommends that interested investors read the prospectus carefully. The product in question is NCE Diversified Income Trust, which intends to invest in royalty trusts, income trusts and real estate investment trusts. There are two offering agents listed in the prospectus. One is Fortune Financial. The agent

Which begs the obvious question: Is not White merely pitching a product on Fortune's behalf? And did he not overstate an appeal while neglecting such key elements as the trust's risk exposure to commodity prices? "I don't think there was a body in that room stupid enough to believe that it's gold in the streets," says Wong. No one, he says, would take White's call for a "hyperbolic" literally. And any way, he adds, "investors are not going to buy anything on the basis of what Jerry White says." White's presentation, he says, is just "food for thought."

White had another accurate idea, specifically mutual-fund limited partnerships, squibbed by the finance department last November. "The good news is that on Dec. 23, the government grandfathered a couple of applications and said, 'That's it, forever.' They will never be available again in history. They are too good, too rich, too safe, make too much money for too few people. There's \$30 million available coming up in a week's time and that's what's available in the entire nation. All \$30 million has been allocated to Fortune Financial. If you're at all interested, Patrick can get you more information about it, but you will have about three seconds to make up your mind because there's probably about three million people in the universe who want to get it." White tells his audience that at the industry's mutual-fund limited partnership is an "NRK"—a term he requires.

In an interview a few days later, White says his remarks should not have been interpreted as a sales pitch. "One was told to buy it," he says. "They were told to buy it because themselves." And what of his seminar content that when he heard the limited partnership was "coming down," he asked Wong "if he would let me have \$250,000 for myself because it's the end of this thing for history forever?" Is that not a personal disclosure? "I certainly hope you don't print that," says Wong. "It was a joke." He adds that he "kind of let my lip" when White said it.

It is the danger of financial planners such as White who speakers, certain to pull in the crowds that financial planners themselves are largely an unregulated and unlicensed lot. Outside of Quebec, says Garry Danes, president of the Canadian Association of Financial Planners and a tax partner with BDO Dunwoody in Toronto, "a taxpayer and any body can get a sign up and say we do financial planning." While the CFP and the Financial Planning Standards Council have attempted to bring some discipline to the industry, including professional accreditation, seeking that accreditation is voluntary. Until the previous legislature, the financial planning arena will remain a free-for-all. So, too, it appears, the inspirational speakers who front it.

Twenty-six years ago, Brian Costello started it all. An erstwhile stockbroker, Costello gave his first money-management speeches

to Rotary and Kiwanis clubs, long before the terms RRSP and mutual fund became commonplace. The subsequent explosion of interest in personal investing brought personal good fortune. Many millions. Then in 1983, Costello founded TIRF (The Height of Excellence) Financial Planning Group Inc., in which he has a 47-percent interest. The group has a roster of 320 financial planners based not across the country who are compensated on a commission basis by selling in-



Paper, with answers, rates low, people are scrambling for yield

vestments to clients. "I have a perception of having a bias because I am the chairman of TIRF Financial Planning Group," says Costello, making a pit stop on his way to get another speech. As chairman and major shareholder, Costello ultimately benefits from all product sales in the firm. He says he keeps his distance: "I don't want at any time even to have the perception of being on both sides," he says.

That is precisely the issue. Perception. Take, by example, an investment called SportFund, a so-called labor-sponsored fund launched two years ago that Costello actively promoted. In fact, he sat on SportFund's advisory board. Does that not suggest compromised investment advice? "If there was [that perception]," says Costello, "it would be a misconception because the reason I wanted to be on the advisory board was so I could make sure the investors were represented by somebody, meaning me. [I want a professional thing for investors]."

The tortured rationale is seemingly out of sync with Costello's mottoes. Seated in a hotel bar on Toronto's airport strip, his vibrant cell phone at his side, Costello is a vision of blue blazer, set off by a wider than gold watch with aqua diamonds. He says he never got anything more from SportFund than a pack and a pair of socks. Then, he will tell a golf and country club speech. Jerry White is off to Cuba. There are so many more Mr. and Mrs. Canadas to address. □

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Investing in the dark

Decide Gelowitz has been squinting away her savings for almost 10 years. The 36-year-old Saskatoon credit officer manager is aiming to have enough money to retire by the time she is 50. But even though most of her savings are in mutual funds, Gelowitz readily admits that her knowledge of the topic is sketchy. "To be honest, I find it boring—mutual funds and stuff like that," says Gelowitz. "That's why I don't know very much." Gelowitz is not alone. A recent survey by Toronto-based Marketing Solutions, conducted for the mutual fund industry, found that most investors have only a limited understanding of investment issues. Eighty-five per cent gave an incorrect answer when asked to define a mutual fund—a fund for which buyers do not pay a sales commission. In addition, 88 per cent did not know the definition of "book value" and 62 per cent were unaware that the funds in which they invest charge them an annual management fee.

To some extent, that level of ignorance is probably a result of the mutual fund industry's rapid growth. Since 1990, the industry has exploded from \$35 billion in assets to \$212 billion today. The number of choices would overwhelm even an experienced investor: there are now more than 1,200 funds on the Canadian market—a 300 per cent increase since 1990. "There's a lot of confusion, and I think it's information overload," says Bob Kilham, a broker and vice-president of Millfield Welwyn Capital Inc. in London, Ont.

"People are really getting confused about simple things such as management fees, no-load funds, deferred-load funds, and how they all work."

Kim Wilkinson, executive vice-president of Marketing Solutions, points out that of the estimated 4.5 million Canadian house-holds that invest in mutual funds, almost half have jumped on the fund bandwagon in the past three years. "When you have a large group of consumers who are new to a category," she adds, "you can assume that they will have less of an understanding than someone who has already been through the ups and downs."

The lack of consumer knowledge worries many industry observers. "It poses significant problems if you have a downturn in the market," says Butechuk. "It leaves the industry vulnerable to angry customers." Alan Welton, president of C.I. Funds, the mutual fund subsidiary of Citicredit Trust, concurs. "Customers have to understand there is a risk side as well as a reward side."

Even many fund executives and sales representatives acknowledge that the industry could do a better job at educating investors. Often, consumers who go looking for basic information on the



Even many mutual-fund sales representatives lack a detailed understanding of the products they sell

risks associated with their funds would go unemphasized. "On the documentation side, we could go a long way to help people out," says Kilham. He adds that a typical prospectus—a legal document that describes how a fund invests and what fees it charges—contains information "that is too detailed, too complicated. It should be broken down into simple English."

But no matter how well the information is presented, there is no guarantee that investors will pay attention to it. Randy Orfield, a 38-year-old produce buyer in Chatham, N.C., began buying funds from his broker three years ago, but has never once read a prospectus. Nor does he intend to. Like many investors, Orfield leaves the task of deciphering the data to his adviser. "Even if I understood the prospectus, I still wouldn't read it," says Orfield.

Given their low level of knowledge, most Canadians are left scrambling for coherent investment advice. In the Marketing Solutions survey, 71 per cent of respondents said that they rely on their broker, financial planner, fund company or bank to help them decide which mutual funds to purchase. Rod Gullatt, a 26-year-old armed forces corporal, says he depends on his bank in Oranmore, N.B., for advice. "The bank explains what different mutual funds are all there to buy, and basically I go on their word," says Gullatt, who, according to the poll, is among the 33 per cent of investors whose main source of financial advice is a bank, trust company or credit union.

Unfortunately for those investors, bank employees themselves are often not well-informed about mutual funds. During 1996, representatives of Marketing Solutions polled 2,600 visits to bank and trust company branches across Canada and questioned sales

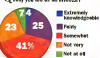
Gelowitz: she admits that she has limited knowledge of mutual funds

representatives about particular funds offered by those institutions. Eleven per cent of the sales representatives did not know whether the fund in question earned management fees or what those fees were, 26 per cent did not know whether investors would be taxed on their funds, and 57 per cent did not know who managed the fund. On average, says Butechuk, about a third of the information provided by bank and trust company employees is accurate.

Simon Lewis, president of the mutual fund arm of the Royal Bank of Canada and Royal Trust, is well aware of the problem. "It's not something that is a big surprise at all," says Lewis, adding that the bank is now trying to bring its 9,000 salespeople up to speed. Butechuk attributes the knowledge gap to a recent shift in the way companies in marketing funds. "The attitude of many institutions was, 'We don't give out advice. We lay out the ball and let people choose what they like.'" Clearly, says Butechuk, this is not enough.

Another problem is the paucity amount of time most Canadian investors spend thinking about their investments. In the Marketing Solutions poll, 51 per cent of respondents said they spent fewer than five hours last year reviewing their financial options. Only 12 per cent devoted more than 36 hours to the task.

Q. How knowledgeable would you say you are as an investor?



Rod Gullatt says he spends "probably about 15 to 30 minutes" at the bank each year deciding what funds to buy. Andrew Skjold del Campo, president of Scotia Securities Inc., is baffled by the public's aversion to studying. "We spend a lot of time watching television, and we spend so little time on our financial health," says Skjold del Campo. "You can't do this for an hour in February and expect that will take care of it." Clearly, Canadian investors need to spend more time on their knowledge.

JONATHAN HARRIS



How knowledgeable are Canadians as investors? Not very, it judges by the results of a study by Marketing Solutions, a Toronto-based consulting company. Here's how it rates a series of questions about investment issues in financial decision-makers in 1,000 households with savings and investments of \$10,000 or more. On average, respondents answered only three of the eight questions correctly.

Readers can test their own knowledge by filling out the following questionnaire and comparing their responses to the answers below.

1. If you invest in a mutual fund, what is the most important factor in choosing a fund? (a) The fund's performance (b) The fund's assets (c) The fund's fees (d) The fund's manager

2. What is the maximum percentage of an individual's RRSP holdings that can be put into investments outside Canada? (a) None (b) 50 per cent (c) 100 per cent (d) No limit

3. You have a choice of receiving \$1,000 in cash interest, \$1,000 in stock interest, \$1,000 in dividends from a Canadian stock or \$1,000 as a bonus from an employer. Which of these should you give the most dollars after deducting the taxes owed? (a) Dividends (b) Net stock interest (c) Cash interest (d) Bonus (e) All the same after taxes

4. You have been investing in shares typical of those sold on the Toronto Stock Exchange for the past 20 years. To the best of your knowledge, in how many of those years did the stock market go up? (a) 4 out of 20 (b) 12 out of 20 (c) 7 out of 20 (d) 16 out of 20 (e) 10 out of 20

5. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

6. Which of the following best describes a "capital gain"? (a) The profit you make when you sell stocks or bonds (b) The annual increase in your net worth (c) The interest you receive on an investment (d) The increase in value of your RRSP investments (e) Financial gifts from another family member

7. Which of the following investments, since 1990, provided Canadians with the best returns before taxes? (a) Long-term corporate bonds (b) Canada Savings Bonds (c) Five-year GICs (d) Canadian stocks (e) U.S. stocks

8. To the best of your knowledge, which of the following is closest to the current level of the Dow Jones Industrial Average? (a) 100 (b) 1,000 (c) 25,000 (d) 100,000 (e) 250,000

9. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

10. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

11. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

12. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

13. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

14. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

15. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

16. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

17. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

18. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

19. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

20. You have invested \$200,000 in a five-year GIC at a chartered financial institution that goes out of business. What is the maximum amount of that funds that would be protected by the Canadian government through the Canada Deposit Insurance Corp.? (a) \$25,000 (b) \$75,000 (c) \$100,000 (d) \$200,000

Battling the banks

A David takes on the financial world's Goliaths

At his modest, book-lined home in west-end Montreal, Yves Michaud relished his role as a point lifter. He lifted controversially phone calls. TV crews came and went. Downtown, and in other Canadian cities, corporate lawyers carefully studied the scale and implications of a courtroom victory scored last week against the big banks by Michaud, 66, a former journalist, politician and diplomat. That judicial decision will effectively force the Royal Bank of Canada and the National Bank of Canada to let shareholders vote on matters that include whether to let the facilities be kept by their bankers. The ruling could empower shareholders of other banks and corporations to pursue similar objectives. Now, the laconic Michaud, who once during debate on a language bill in the Quebec legislature spoke for 10 hours, is looking forward to March 3, when he will address the compensation issue at the Royal's annual meeting. He is expecting a tough fight. "The banks can bring governments to their knees," said Michaud. "It's David against Goliath."

Michaud, a former Liberal MP (1986-1993), became the first Quebecer to lead the Quebec and Quebec anglophone general in France (1979-1980), has been battling the banks for more than three years over executive compensation and the makeup of their boards of directors. He became enraged as a shareholder of General Trustco Ltd. of Montreal when it experienced a 50% stock-price drop and was swallowed by the National Trust. He then began to question officials at the annual meetings of the National and the Royal, in which he is also a shareholder. He described the meetings as pure "bureaucracy" that simply rubber-stamped management dictates.

When his proposals were rejected, he went to court, representing himself against a battery of bank lawyers who repeatedly claimed that he was merely "seeking publicity." But Justice Pierre Proulx of the Quebec Superior Court ruled on Jan. 16 that, under the federal Bank Act, shareholders have the right to propose resolutions. She ordered the Royal and National to allow voters to file Michaud's proposals. The Quebec Court Appeal upheld her decision last week. "The lawyers were not in court defending the banks," said Michaud. "They were defending the abuses and privilege of the big banking officers of the country."

Yves's decision came as the country's six



Michaud, asking shareholders to cut big banker salaries

big banks, which together amassed total record profits of \$6.3 billion last year, begin to publish the 1994 salaries of their chairmen. Although the Royal and the National have yet to report, the Bank of Montreal's Matthew Barrett received \$3.9 million, the Canadian Imperial Bank of Commerce's Al Flood \$2.9 million, Toronto-Dominion Bank's Richard Thomson \$2.7 million, and Scotiabank's Peter Goddeer \$2.9 million. Michaud's proposals would cap top-banker pay at 30 times the average salary of their employees. For example, Royal Bank chairman John Cleghorn, who received \$2.28 million in 1993, would have taken home \$62,000, or 20 times the average salary of \$40,750 earned last year by the bank's full-time employees.

Michaud's revolution would go beyond executive pay. To prevent the chairman from deciding what to pay himself, share-

holders will be asked to endorse a motion ensuring that the bank president would be approved from the board instead of the chairman. In addition, the Michaud plan would limit board members to 20-year terms, abolishing interest-free loans as an executive perk, and ban from board membership any lawyer who receives significant fees from the bank. The banks were caught off guard by the court ruling, and Royal officials ran for several hours following the decision. But Royal spokesman Langevin Côté said the bank would comply. "We will include Michaud's proposals in the next annual meeting," said Côté. "Together with a statement from the bank about each of the proposals."

Although Michaud is organizing individual shareholders for the vote, analysts expect the banks will ensure that his plan is defeated by their allies—the many powerful mutual funds and institutions that hold bank stock. "There are too many business lobbies that will make sure it does not happen," said Monica Belkouri, an associate professor of human resources management at York University in Toronto. It did not occur to the banks that Michaud would be hurt, she argued, because they would be an aide to attract high-quality management.

Many top executives in the banks receive pay packages that reflect the chairman's salary and they would also have to be cut back during a chase throughout the banking system. "It's not just the CEOs," said Belkouri. "There are implications for thousands of people working in the financial services industry."

Still, Philip Asanovic, a Toronto securities lawyer, pointed out that several of Michaud's proposals address issues that involve basic corporate governance principles. One of them, relating to a non-executive chairman, is generally accepted practice in Canada today. "Honestly," says Asanovic, "shareholders have long been at the disadvantage of management when the corporation was performing poorly, and in that context have sometimes objected to management salaries." But with the banks ignoring record profits, shareholders may not want to rock the boat.

TOM PENNELL

Ross Laver

Personal Business

Taking charge of time

Everywhere you look these days, highly stressed workers are struggling to do more with less. Often, it's because their employers have slashed spending and trimmed the payroll, leaving fewer people to do the same amount of work. But even employees in uncut sectors of the economy—the manufacturing, telecommunications and high technology, to name three—aren't immune from time pressures. As companies that are growing rapidly, workers are frequently hard-pressed to keep pace with the expanding volume of business.

That certainly describes Mary Ann Merrick's situation. She's a member of the product engineering group at Westcoast Industries Inc. in Wapitong, Ont., 150 km west of Toronto. Westcoast, North America's largest supplier of custom exhaust manifolds for cars and light trucks, has been on a roll lately, with 1993 earnings of \$1.5 million, up 51 per cent from 1992. That growth, however, has put extra strain on Merrick, 35, and her co-workers.

'A while ago, I started to feel overwhelmed with everything happening at my company'

"A while ago, I started to feel overwhelmed with everything happening at my company," Merrick says. "I used to focus on all my new projects, but I didn't want to ignore day-to-day production. I was putting things off, from one day to the next and forgetting to do it one day for myself."

To learn how to get her time more efficiently, Merrick turned to a two-hour course at the nonprofit Canadian Management Centre in Toronto. Her instructor was Harold Taylor, a time-management consultant whose book, *Making Your Minutes Fly*, has been translated into five languages and published in 14 countries.

Here are some of Taylor's tips on how they made a difference for Mary Ann Merrick:

Take out as much correspondence and paperwork as possible.

There's no faster way to increase productivity than to get organized. Start by emptying the in-basket and ending the "jockeying" syndrome. "I find it works best when I clean out my files every so often and get rid of all

everything that doesn't belong there," Merrick says. "When correspondence comes in, I file it immediately or make sure it gets done by the end of the week. It keeps me from falling further behind."

Keep a log of your telephone calls. Making notes when you're on the phone eliminates forgotten messages and follow-ups. It also creates a record that you can refer back to when things go wrong. For example, says Merrick, "I always keep a log when I place someone on a call. I've done something. That way they can't call later and say I didn't do it. It's a good way to avoid misunderstandings."

Schedule "appointments with yourself" to complete priority work.

Blacking out time in your daily planner for specific projects reduces the risk that you'll let housework or other schedule by someone else's schedule be planning. Says Merrick: "I use a work-schedule planner and use appointments with myself to do the things I really need to get done each day. That way, when someone asks if I have time to meet with them, I can say, 'Well, I'm busy then but that time is at 3.' If you leave your schedule wide open, anything goes."

To avoid interruptions when you're on the phone, turn your back to others.

When your days are filled with interruptions, it's essential to concentrate on one task at a time. A useful trick is to use your phone as a reminder when you're back in the office. "I like this one a lot. When someone walks in, they can't make my contact and distract me from my conversation," Merrick explains.

Say no more often.

Have as much respect for your own time as for other's. "At first, you don't really qualify yourself, but I've tried it and it works," Merrick says. "Recently, someone asked me to join a new work team. I wanted to help, but if I say yes to everyone, it won't have time to do what really needs to get done." And by focusing on her priorities, Merrick finds that she can accomplish more—with less stress.

Mike's Picks

BY MICHAEL VANDERKAM, EDITOR
AND CEO, Corel Corporation

Corel WordPerfect 7

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Corel Office 7

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 **Source: Canadian Federation of Students, Student Budget 1995-96. Based on tuition, rent, books and food costs of \$5,500 per year. First year degree costs estimated at 9% annual inflation rate.
 ***The assumptions are for illustrative purposes and the results take into consideration the annual cost of education. All investments earn a 10% average annual compounding rate of return. \$50,200 invested in an equity mutual fund for 21 years \$65,000 monthly contributions at the beginning of each month over 10 years (\$21,600) and continues to grow for three more years at the same rate of return, the cost jumps to about \$133,000 assuming a 9% interest rate on a loan of \$65,000 and monthly payments of \$5,500 at the end of each year for 10 years.

Business NOTES

STRIKING PILOTS

Talks broke down between Air Canada's four regional airlines and about 900 striking pilots. The strikers, employees of Air Ontario Inc., Airtec Ltd., Air Nova Inc. and Air Alberta Inc., accused Air Canada pilots of taking over some regional routes. Air Canada's pilots' union, meanwhile, said that the regional pilots have threatened members with violence, a charge denied by the regional pilots.

FRIEDLAND'S REVENGE

The U.S. government allowed its attempt to seize \$200 million in assets from Robert Friedland, but the Canadian mining promoter said he now plans to sue the U.S. justice department for more than \$1 million. He still faces a \$200-million lawsuit in Colorado over the cost of cleaning up pollution in the 1980s at a mine in the state run by Galactic Resources Ltd. of Vancouver. Friedland was president of the company at the time.

MICROSOFT'S BLITZ

Microsoft Corp. unveiled Office 97, its new office software package, in a marketing blitz that was widely compared with the massive rollout of Windows 95 in August 1995. Microsoft of Redmond, Wash., accounts for 80 per cent of the software-suite market, but is facing stiff price pressure from Ottawa-based Corel Corp. and its WordPerfect. Microsoft earns an estimated 66 per cent of its annual \$12 billion in revenue from Office.

A FORD RECALL

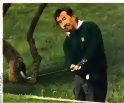
Ford Motor Co. is recalling more than 240,000 pickups, vans and sport utility vehicles in Canada and the United States. About 148,000 1997 F-150 pickups are being recalled to check for loose or missing bolts on seat-belt assemblies. The recall also includes about 192,700 1996 Ford Explorer SUVs, Ranger pickups, Aerostar minivans and 1996 Excursion and Club Wagon vans.

CALGARY CLASH

Canadian 80 Energy Corp., a Calgary-based natural gas drillers, launched a \$602-million hostile takeover bid for Morrison Petroleum Ltd. of Calgary. Paul Charney, Morrison's vice-president of finance, said the company would respond after receiving Canadian 80's formal offer.

Brawling for Busang gold

The battle for Busang intensified, as Placer Dome Inc. entered the fight for a giant Indonesian gold deposit. Placer bid \$6.2 billion for Free-X Minerals Ltd. of Calgary, which owns 90 per cent of Busang, the richest gold field on earth. But the takeover bid denies Indonesian's orders in November that Free-X surrender control of Busang to Barrick Gold Corp. of Toronto, the world's largest gold-mining company. Indonesian mining ministry official Usair Said said that it decided on a proposed deal giving 67.5 per cent control to Barrick, 32.5 per cent to Free-X, and 10 per cent to the government. An official said the government is unlikely to approve Placer Dome's offer. Indonesian businessman Mohamed (Bek) Busang, a friend of President Suharto, reportedly urged Placer president John Wilcox to skip into the fray. Busang has a stake in Placer Dome's proposed deal. Free-X welcomed the



Busang follows up for the world's richest gold mine

arrival of Placer Dome, Canada's second-highest gold producer. But Barrick spokesman Vincent Borg dismissed the Placer bid, saying, "It doesn't affect us in any way." Adding to the confusion, Josef Merckx, an Indonesian partner of Free-X on the project, filed a \$8.7-billion suit against Free-X in Calgary. Merckx wants a larger slice of Busang, estimated to hold up to 140 million ounces of gold.

Superstore shutdown

It's gone over for Sportmart Inc. in Canada. Battered by fierce competition, the sporting goods chain is closing 11 stores and heading back to the United States. Seven of the superstores are in Ontario, two in Alberta and two in British Columbia. The Illinois-based company expected to lose \$4.5 million this year if it stayed in Canada. Sales in November

and December were down 25 per cent over last year. Other sports retailers are suffering, too, because of increased competition and overhauling demand. Farnam Group Ltd. of Calgary says it may close up to 12 of its 158 stores, including some Sport Club and Sports Experts outlets. Several other U.S. superstore retailers have been disappointed by their sales in Canada, including Home Depot Inc. and Michaels of Canada Inc., a crafts retailer.

FINANCIAL OUTLOOK

Foreign buyers continued to drive up the value of the Canadian dollar, which closed the week at 74.50 cents (U.S.). Analysts said the increase was partly due to a British article about the country's economic prospects in the London Financial Times. Investor activism also propelled the Toronto Stock Exchange 300 index to four consecutive all-time highs, for a week-over-week increase of 2.6 per cent.

The latest U.S. data suggested that inflation remains under control, raising hopes that the Federal Reserve will leave interest rates unchanged when it meets again in early February. Still, Canadian mortgage rates rose between a quarter

and a third of a percentage point.

"Increasing U.S. spending will exert a strong pull on a wide array of Canadian products."

—Scotiabank

CANADIAN EXPORTS

Trade surplus (billions)



"The Canadian dollar is in overdrive and there don't appear to be any speed bumps for another few miles."

—NBN Armo Bank Canada

"Western ninety-seven will be the payoff year for Canadians. A strong dollar is an benefit, but it also helps to maintain lower interest rates, which should boost consumer spending, business investment and job creation."

—Canada Trust



Peter C. Newman

The Canadian dream loses a big round

We live in a magnificent hunk of geography bordering the ocean, filling up with electronic birds threatening to destroy our culture.

In the millennium to come, those signals—that are helping create the 800-channel universe—will expose us to even greater gulfs of American values and ideas.

In that context, the continued existence of Canadian magazines becomes more important than ever. Commercial U.S. television, which is what most of us watch, is in fact, in view, but a mirage that not only blunts traditions, homogeneous feelings, and endures adulation—it makes us forget who we are and why we are here.

It's only when that all-powerful bathhouse in the corner of the living room is shut off that we have the time and the silence to ponder what it is we still share in this country, and why we want Canada to survive. Magazines—*Maclean's*, *Peter C. Newman's*, *Canadian Geographic*—don't offer the immediacy of television, but they place events in perspective and lay claim to collectively publishing the first draft of Canada's evolving history.

The journals work. Nearly 36 million copies of *Maclean's* are now sold annually, reaching more than two million readers weekly. One in four homes, more than half a billion copies of Canadian magazines keep us on our toes.

That happy situation is about to end. The World Trade Organization, a Geneva-based adjudicatory panel, last week decided to back American contentions that the magazine division that keeps the industry in business be struck down because they violate GATT's open trade rules.

What's at stake here is nothing less than the magazine industry's continued existence. Apart from its contentual cultural dimensions, it has become a major employer, with annual revenues of about \$1 billion and a talented labor force of more than 6,000.

The legislation at issue is Bill C-115, passed by Parliament last year to prevent U.S. magazines from launching spill-run publications in Canada. This involves wrapping the editorial content of U.S. periodicals around Canadian facts. Since these hybrid publications pay few fees, Canadian writers, editors and illustrators, their ad rates are a fraction of those charged by indigenous competitors.

That was precisely what *Sports Illustrated* attempted in 1993, when it launched a pseudo-Canadian magazine by recycling the American contents. Full-page ads in the April edition that year cost \$6,000, compared with \$25,000 in *Maclean's*. When *Maclean's* cited a few, *Sports Illustrated* temporarily dropped its venture. Had the sports magazine been allowed to continue, some 40 U.S. magazines with Canadian circulations of 50,000 or more were ready to invade the northern territory. They are now free to proceed.

It's tough enough to compete with American magazines, since their economies of scale allow them to afford editorial budgets 10 times the size of ours. But when Canadian magazines must fight for their home market against rivals who enjoy a free editorial ride, the odds hardly seem fair. Discounts in these foreign magazines are so deep that although *Sports Illustrated* publishes similar regional editions as the United States, the magazine's Canadian ad rates are half those charged in their domestic spill-run.

The dispute dates back more than 50 years. The first launched a pre-Canada edition in 1943, and by 1970 the American magazine *Playboy's Digest*, which came into the country in 1947, had stopped off so much advertising that more than 200 Canadian magazines with combined circulations of 10 million were forced out of business. That was when the government stepped into the picture.

Even the most nativist-minded members of Canada's magazine industry have never objected to American magazines sweeping our newsstands. But unless Ottawa can devise some other technique for protecting this vital industry, the spill-run editions will quickly put Canadian periodicals out of business.

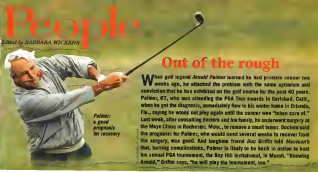
The essence of the dispute is not really about *Sports Illustrated*, *Maclean's* or any other magazines. It's about two very different views of national culture. To Americans, culture is their most successful export; they thrive on advertising the trends, fashions, fashions and celebrities of a world run into the it: movies, television, clothes, books and homes.

Canadian culture is a far more subtle and fragile commodity, involving scattered truths about our past history, current hopes and latent aspirations—about why we hold our ground in this cold land with empty borders. Unlike the American product, Canadian culture is not negotiable, and its many expressions—music, literature, art, television—must continue to find a market in order to give it voice and shape.

Henry Louis, who founded *Time* Inc. (now *Time* Warner), understood that, having once declared, "The whole concept of the American proposition requires *Time* to exist."

Right on. *Maclean's* has a particularly strong identification with their countries of origin. At best, they are woven into the dreams and nightmares of a people. But American dreams and nightmares are not ours. As Senator Gratian (Liberal, who headed the first of many government inquiries into the matter, declared back in 1961: "Only a truly Canadian periodical press, one with the feel of Canada and directly responsible to Canada, can give us the critical analysis, the informed discourse and dialogue which are indispensable in a sovereign society."

That was true then. And it's doubly true now.



Edited by BARBARA WICKENS

Palmer: a golf pro's progress in his recovery

Out of the rough

When golf legend Arnold Palmer learned he had prostate cancer two weeks ago, he attacked the problem with the same optimism and conviction that he has exhibited on the golf course for the past 40 years. Palmer, 67, who was attending the PGA Tour events in Certified, Calif., when he got the diagnosis, immediately flew to his winter home in Orlando, Fla., saying he would not play again until the cancer was "taken care of." Last week, after consulting doctors and his family, he underwent surgery at the Mayo Clinic in Rochester, Minn., to remove a small tumor. Doctors said the prognosis for Palmer, who would need several weeks to recover from the surgery, was good. And longtime friend Doc Griffin told *Maclean's* that, barring complications, Palmer is likely to be back in action to host his annual PGA tournament, the Bay Hill Invitational, in March. "Knowing Arnold," Griffin says, "he will play the tournament, too."

Grin and bear it

A though they are not as widely known as their neighbors, New Brunswick's bears are also getting a good bear. American novelist William Kotzwinkle, whose many books include *E.T. The Extra-Terrestrial*, the story about a little alien that also lives on one of the top-selling *Rolling Stone* of all time, says that he has now developed a sense of a bear on a 20-year-old. Kotzwinkle and his wife, author Elizabeth Gundy, then living in a modest farmhouse in Zornville, N.B., stored their manuscripts in a brick house under a tree. It was then that he had a vision they had shared: he had read when the farmhouse, built in the 18th century, had been a bear house. But they were easily fooled again. This time it was a hungry black bear that clawed and clawed at the brickwork, dragging it over the woods before abandoning it as useless. "About three years ago, I started wondering, 'What if the bear spoke the language and said: 'reading','" recalls Kotzwinkle, 58. The result of that flight of fancy is *The Bear Went over the Mountains*, an offbeat tale about a bear that is kidnapped by the New Hampshire by the American publishing industry. Although the portrayal is at times outlandish, Kotzwinkle made it he did not set out to write a social commentary. "I just described things as they are and they turned out as nature."

Africville, and all that jazz

On his crossover new CD, *Africville Suite*, pianist Joe Seelye pays tribute to a unique chapter in Canadian history. Founded in 1848 on the shores of the Bedford Basin in Halifax, Africville was Canada's largest black community before the city bulldozed it in 1970. Seelye, 53, who grew up in Montreal and now lives in Toronto, says that he did not know much about the neighborhood. But when his friend Joseph, who grew up there, died in 1990, Seelye wrote the song *Africville* in his honor. After performing it at a Halibut auction, he



Seelye: thriving

Seelye became involved with the Africville Genealogy Society, which turned him to co-write the rest of the 12-track album. "I learned a lot that I didn't know," says Seelye, noting that Halibut had developed a sea interest, so that a hospital for infectious diseases, a slaughterhouse, a bone-oral fertilizer plant and a garbage dump were all situated in Africville. "Even with all that, it was a thriving community." Music was a big part of the local culture; most homes had a piano or an organ and bandleader Duke Ellington made regular visits. "The spirit of the place is simply fascinating," says Seelye. "The album is a celebration of survival against all odds."

Tackling the funny bone

The premise: throw together four comic actors and a series by some of the biggest names in professional sport for a TV series about a cartoon sports agency. The result is *4000*, a hit new half-hour TV series on The Movie Network cable channel. Robert Wahl plays Michael Arfink, a crafty, money-driven sports agent. Major athletes who have had his parts include NBA star Shaquille O'Neal, baseball's Jim Palmer and soccer great John McEwen, as well as the Canadian, Olympic figure skater Elizabeth Manley and hockey player Nick Kypreos. Olympic native Sam Dineen, 22, is Arfink's right-hand woman. "It's a comedy about the person who really runs the show," says O'Neal. "He's a smarter dude than you're seeing." Even though O'Neal, 22, claims not to be a sports fan, she is looking forward to a Super Bowl episode that will be filmed later this month at the Super Bowl arena, MGM party in New Orleans. "This is so exciting for me, and I do not even like football."



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A blow to magazines

Known today might not seem the most likely venue on behalf of Canadian culture. But as a January issue of *Sports Illustrated*, the most delisted in the world as winner of the Olympic 100m dash found himself attacked for "blowing" that he had been shut out of the bidding for the Associated Press article of the year—in the words of U.S. track star Michael Johnson. For *Illustrated*, it was just another slight in what he called a long "line of disrespect" from the United States. But his experience, underlined the lines of rivalry in the country's arts and media communities, kicking last week by the leaked articles about a World Trade Organization panel in Geneva. If

the panel confirms its tentative ruling against Ottawa's attempt to protect the country's periodical industry later this year, Canadians may face increasing difficulty in getting their stories out—and not only in magazines.

"What does Canada lose?" asked Catherine Rossie, president of the Canadian Magazine Publishers Association. "Canadian writing and a Canadian point of view. Should the government choose not to defend this policy, there's no question it will be a blow of death blow to the Canadian magazine industry," that trade experts also see the ruling as a precedent for U.S. challenges to the country's other beleaguered cultural industries, from book publishing to broadcasting. "There is a whole lot of cultural concerns

which we've never been able to make much headway with," said William Morley, former deputy U.S. negotiator on the 1988 Free Trade Agreement. "So the United States will certainly jump on the opportunity to make Canada sweat on this one."

Heritage Minister Sheila Copps, commenting in Edmonton, vowed that the government would challenge the panel's final report, scheduled to come down in late February, opening the way to a lengthy appeal process. *Sell Cops* "We will not take this sitting down." And from Bangkok, International Trade Minister Art Eggleton promised that "having long-proven news and information is what this is all about for us."

There will always be efforts by the Americans to gain greater access to just about anything to do with Canada. And we will continue the fight."

But that fight has become more complex. Washington argued the case, not under the provisions of the 1994 North American Free Trade Agreement—where Ottawa had won a cultural exemption—but under those of the three-year-old WTO, where it failed to win the same victory. During those talks, Canadian negotiators argued that by not signing a relevant clause, they had assured the country's neutrality. But the WTO panel appeared to disagree. "If the Americans can stop around the cultural exemption in NAFTA and go to the WTO," said Keith Kelly, director of the Canadian Conference of

Newsworld-Ottawa promises to fight, but there may not be much if due to

the Arts, "then it's open season."

In fact, if the panel ultimately confirms its veto of two measures aimed at preventing split runs—American magazines that recycle their editorial content in so-called Canadian editions, merely replacing the U.S. advertising—the federal government will lose an important shield, either throw out the offending laws, thus opening the way to a flood of U.S. magazines with the clout, and lower costs, to steal the local share of advertising from Canadian periodicals, or face retaliation from Washington on another trade front. While Kelly called on Ottawa to cope up with legislative alternatives, even Eggleton conceded the difficulty. "What we want to do is not in question," he told *Macleans*, citing the possibility of promoting magazines instead of protecting them under law. "How we get there is always under review."

That prospect is sending shudders through the country's magazine publishers, whose wars now occupy a mere 30 per cent of the nation's newspapers. In fact, one of the three measures before the panel dates back to 1966, when the government of Lester Pearson set out to foster an indigenous industry. It was not successfully three decades later that *Sports Illustrated* challenged an unknown isle in the provision against split runs—transmitting its copy electronically across the border—and found itself slapped with an 80-per-cent excise tax in December, 1995. Although the magazine promptly shut down its operations, its proprietors, New York City-based Time Warner Inc., openly prodded Washington into taking Canada to the WTO court. Now, despite that tentative victory, Toronto lawyer and former federal cabinet minister Ron Atkey, who serves as Time Warner's lobbyist, promised that "it's an overstatement to say this is a terrible blow" (Facing legislation providing postal subsidies to the country's periodicals—which the panel upheld—and a controversial 1995 bill barring Canadian advertisers in magazines with largely American content from deducting their costs, he hinted that it might cause the U.S. claim to come. *Sell Atkey* "The playing field is the even level."

For Canadian readers, such challenges could have long-term effects on how they see themselves. As *Macleans*' editor-in-chief Robert Lewis pointed out to those who questioned how the ruling could affect this magazine's beneficiary of protective federal legislation: "It's a state policy of advertising, and if foreign publishers are going to take a larger chunk of it, I have less money to send reporters out to do Canadian stories."

MARCI McDONALD

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Justice

Shut down at P4W

Women are being moved into men's prisons

Life is grim in Kingston's Prison for Women. 31-year-old Terence woman, serving 4½ years for assault and breaking and entering—then as even harder assault. Last week, the warden informed Young and 22 other inmates security matters that when the Prison for Women closes—probably later this year—they will move to nearby Kingston Penitentiary, home to some of the country's most dangerous

within sight and sound of each other," he acknowledges. "But the women will be under the escort of staff." The inmates, he added, will have access to programs to prepare them to live in one of the regional facilities.

Critics are angry that CSC appears to be ignoring the recommendations of a federal inquiry into the Prison for Women. In her scathing report, published last April, warning "in prison culture that did not value individual rights," inquiry head Justice Louise



Young and fellow prisoner Amy Taylor. "Terrifying"

When the Correctional Services of Canada decided, in 1990, to close the antiquated Prison for Women, all female offenders were to move into the new regional facilities to be built across the country.

There, counselling and support services would help ease the roughly 325 female federal inmates at six security levels—maximum, medium and minimum—back into their communities. But, in an first year, the Edmonton centre, the first to open, has been plagued with self-mutilation, suicides, escapes and a murder. As a result, some maximum security women have been transferred recently to male institutions in Springfield, N.S., and Prince Albert, Sask. Last week, CSC officials confirmed that women in Ontario and Quebec will be sent to the infamous Kingston and St-Anne-des-Plaines, Que., penitentiaries.

Correction officials say it is an interim move and assure the women will be safe. "They will be in a separate area, away from men," says spokeswoman Lisa Finley. "There will be times when the men and women are

Arthur called for "a separate wing" for female offenders. "That recommendation has not been acted upon," notes MacDonald, executive director of the Office of the Correctional Investigator, ombudsman for federal prisons.

"Here we go again," says Dan Scribner, a Kingston lawyer who intends to challenge the plan in the courts. "Moving sex offenders and women in the same building is not acceptable." Elizabeth Forrestell, a spokeswoman for the Elizabeth Fry Society of Ontario, an advocacy group for women in conflict with the law, notes that many women are classified as maximum security not because they pose a threat but because of their tendency to suicide or self-harm. "A typical response to sex abuse in childhood," Kingston Penitentiary, she states, "is no place to put a woman in crisis."

SHARON DOYLE DROZDGER

Health

Outgrip with patient:
"I was a skeptic until I saw
what it could do"



The healing touch

With an in-vitro fertilization clinic, food poisoning, otitis media, sinusitis and high blood pressure, Toronto's General Hospital offers its patients the latest in modern medicine. But in a tiny fifth-floor office, they can also find Shirley Dalgleish, a palliative care nurse who spends two days a week performing therapeutic touch—a touch treatment involving the moving of hands over patients' bodies, says its proponents and both leaders have done for centuries. It is a practice that sleeps deep roots as voodoo and critics say it has no basis in science. But Dalgleish says she cannot accommodate the steady stream of patients who want the service to soothe their pain, relieve their anxiety and, they believe, overcome the healing of their broken hearts.

Despite the criticism, it is a treatment that many nurses have embraced and hospitals are increasingly endorsing. Its founders, New York University nursing professor Dolores Krieger and dermatologist Doreen Kanner, say they have treated more than 35,000 women worldwide since they introduced it in 1987. The Ontario Therapeutic Touch Network has trained more than 2,000 nurses. The Vancouver Hospital and Health Sciences Centre set up its own Healing Touch Clinic last February and at least 10 other hospitals in British Columbia, Alberta and Ontario have established policies that allow staff to perform the technique as part of their

duties and at extra charge to patients. The answer? Nurses want to administer it and patients want to receive it. "Whether I believe it is a useful therapy is irrelevant," says Dr. Donald Lewinstein, vice-president of professional affairs at Sunnybrook Health Sciences Centre in Toronto. "If you believe in the anatomy of persons making their own decisions, you cannot deny them access to this treatment."

The name is misleading: in fact, therapeutic touch practitioners rarely touch their patients. Working on the theory that there is an imbalance in an energy field surrounding each person, they wave their hands about two inches above the patient's body, while concentrating on their intention to heal. Six months later 10 to 20 patients, and the patients are fully dressed. Practitioners are careful to say the treatment is not a cure. Instead, says Dalgleish, it helps people relax and gives them the energy they need to start healing themselves. "There is no causal, universal time involved order and health," she says. "Just like medicine, therapeutic touch puts us in a position to heal."

That makes sense to patients like Wendy Charbonneau, a former Toronto kindergarten teacher who credits Dalgleish's treatment with easing her ill effects of the pain-killing drugs she has depended on since a

car crash 12½ years ago. "The sessions help release 'negative energy within me,'" Charbonneau says, and improve her concentration and self-esteem. "I feel I have more energy to try things," she adds. "I would not have been able to cope this without therapeutic touch."

Practitioners quote dozens of studies that conclude that therapeutic touch decreases anxiety in patients, eases Alzheimer's and cancer and heart patients. Others suggest the treatment reduces pain, decreases blood pressure, increases oxygen levels in the blood and promotes healing. That only five of those studies have been published in mainstream medical journals, with just three of those showing positive results, Dalgleish says she uses the therapeutic touch to help ease the suffering of chronic cancer patients, to ease the pain of multiple sclerosis and arthritis and to perk up patients with chronic fatigue syndrome. "I was a skeptic until I saw what it could do," says the palliative care specialist, who has used the technique since 1986.

Despite such glowing testimonials, critics say there is no proof that patients benefit from anything more than a placebo effect. "Of course the reason response when there is human interaction is," says Dora Schreiber, who heads the Boulder, Colo.-based Rocky Mountain Skeptics, an association that specializes in debunking claims of the paranormal. "They have not shown that it helps any more than sitting and talking with a patient."

Schreiber says therapeutic touch practitioners have been seduced by a treatment based on a form of mysticism.

A director of the British Columbia Skeptics, Vancouver philosopher Dale Repens, says there are serious flaws in the studies showing the benefits of therapeutic touch. Most were done by practitioners who have an interest in finding positive results. He says, and others do, no account for factors—such as other treatments or the presence of a placebo effect—that could have influenced the outcome. Besides, the basic premise of an invisible energy field is highly contested. "It is a lie," says Schreiber. "We are institutionalizing something based solely on a mystical belief system that has not been proven."

Those concerns could be addressed if Linda Turner, a nurse who specializes in pain management at the Vancouver Hospital's Healing Touch Centre, achieves her goal. She and several colleagues are seeking research funds for an effort to measure the human energy field. If it proves it, it could provide valuable new information about how the therapy works—and with the potential to define the practice of therapeutic touch or name it as a new branch of acupunctology.

ANITA BLASH

Mirage and magic

One film weaves intrigue, the other enchantment

LE POLYGRAPHE
Directed by Robert LePage

Interminably acclaimed Quebec director Robert LePage has earned an creative risks and creative leaps of leaps and bounds that have produced wildly uneven results. This month the same French-Canadian filmmaker who helmed the genius of his marathon play *The Seven Straws of the River Oté* (1994) joined the London premiere of *Edmond*, his audacious neo-gothic melodrama. More after making a dazzling debut as a film director with *Le confusional* (1992), LePage has followed it up with a second feature that is feverishly less successful—yet compelling.

Like his last movie, *Le polygraphe* is a drama about guilt, deception and the haunting distortions of memory and art. Like his previous work, it is set in LePage's home town of Quebec City and involves a film within a film. Once again, the scenario is strewn with shards of autobiography, and again the theme is confusion: the confusion, in this case, is not a pretent but a polygraph, or lie-detector, in a police investigation.

All the characters seem to lead double lives. François (Frédéric Goyette), a historian who moonlights as a writer, receives a prime suspect two years after the assumed murder of his girlfriend and the testimony of her agent's recent. Unaware of his connection to the case, his friend and neighbor, Lucie (Odine Hanson), is cast as the murder victim in a movie based on the crime. She, meanwhile, becomes sexually involved with a former pathologist (François Perre) who has a murky past as an East German intelligence agent.

Covering the script with *Brasserie*, LePage based *Le polygraphe* on his 1988 play, which was inspired by an extraordinary trauma in his own life. In 1980, his closest friend, actress France Lachapelle, was stabbed to death in Quebec City by an attacker who then set fire to her house. Before police caught the killer two years later, LePage underwent a protracted ordeal as a suspect. While the case was still unsolved, Quebec film maker Yves Simard tried to cast LePage in a movie based on the crime—as the killer.

That backward look is a motive force

ity to *Le polygraphe*'s authentic concerns. LePage weaves his murder mystery in ornate layers of art and life—which he says borrows with a Mirovian, the Russian doll containing a series of ever-smaller dolls. Embodying a myriad of visual puns, the director plays with notions of dichotomy occupying the Berlin Wall to the seaport that divides the ventricle of the heart. The



Spoken: a lyrical fable about memory, their brilliant careers and a couple teetering on heretofore

film is also riddled with allusions to his other work—namely *Edmond*.

While well-acted and conceptually brilliant, *Le polygraphe* is a dramatically negligent LePage has expanded the play—changing the ending, adding characters and making taking connections to the form of a who-dunnit. But the extra plot seems locked into a dash of creative decadent that strays for the viewer's polygraph screen shattering in disbelief. A visionary like LePage, however, can be as fascinating as his failures as in his triumphs.

GABRIEL
Directed by Mohsen Makhmalbaf

Even the opening shot, which shows a brightly colored carpet adrift in a clear stream, *Gabriel* is a film of astonishing beauty. It is a magical fable about the nomads of southeastern Iran who herd sheep

and tint the wool with brilliant dyes to weave carpets called *gabbeh*. The narrative begins with an old couple literally arguing over who should wash their carpet. Then the spirit of the carpet, a young woman named Gabbeh (Shahroozeh Dabest), appears and tells them the story that is woven into its pattern, which portrays a couple clinging to love.

It is a simple tale of romantic frustration—at Gabbeh's family continually threatening her marriage to a mysterious lover who follows her tribe on a white horse. The romantic narrative unfolds with the cadence of poetry, as a lyrical odyssey through landscape and fabric. The characters, dressed in colorful robes, pass through shimmering fields of yellow, green and popping red through bleached dunes, palm oases and snow-covered mountains. A small girl chasing a goat

along a cliff is a symbol of peace and love against dark-colored rock.

Softly dyed from the flowers around them, and drifting images from their dreams, the nomads are literally weaving the land into their carpets. With the surrealistic logic, the film makers have made their own *gabbeh*, with the yarn of pure cinema. Producing such masters as Abbas Kiarostami, Iran has the most treasured film culture in the Middle East. And *Gabbeh* director Mohsen Makhmalbaf is its current star. Many of his films are threaded with subversive political themes, and fear have been banned by Iran's censorship—excluding *Gabbeh*, although the director insists that it is apolitical. But hard to imagine what anyone in the Iranian bureaucracy could find offensive, unless color is a crime.

IRIAN D. JOHNSON

THEATRE

Willy Loman lives

DEATH OF A SALESMAN
By Arthur Miller
Directed by Glenn Milne

If the great plays of history are those that apply critically to modern times, then *Death of a Salesman*'s pretensions remain unchallenged. Arthur Miller's 1949 Pulitzer Prize winner, currently playing at the Menlo Park Theatre in Winnipeg, is as fresh and disturbing as today's employment statistics. Not a single period detail of the drama has been jettisoned, yet the MTC production speaks to the uncertainty of the contemporary world, in which a lifetime of hard work no longer guarantees respect, let alone financial rewards.

The relevance to these times of such allegorical and tragicomic good lives may prove to be even a stronger draw than the star billing of veteran American actor Jack Hirsch, best known for the TV series *Tam*, in the central role of worn-out travelling salesman Willy Loman. Advance publicity for the show, a collaboration with David and Ed Mirvish at Toronto (where *Death of a Salesman* played for two years ago) while 85 percent of the tickets for the Winnipeg run—which made on Feb. 1—have been sold so far, the casting of Hirsch and six other Canadians has also created a stir with the Canadian Actors' Equity Association, which has complained that most of the principal roles went to U.S. actors.

Certainly, the casting has paid off in artistic terms, delivering to the integrity of Miller's writing. Hirsch has created a genuinely natural Willy Loman. Willy is the American work ethic incarnate, bright as the shine of his shoes, anxious in the tilt of his forehead. "Personality always wins the day," is his motto. At 61, however, his world is shrinking. The sales are falling on him, and old friends who used to be pals are either dead or retired. After divorcing his first wife, he is reduced to working on commission for an uncooperative boss, and borrowing money from his neighbors to pay the bills. As his working world collapses, Willy is forced to deal with his weaknesses as a husband and father.

Death of a Salesman is not a conventional play by these standards. The foreground action takes place across 28 hours, but events from the past keep intersecting to illuminate the narrative. With subtle lighting and music cues, director Gloria Maeda makes those changes smooth and clear, as often as the acting is

well. Hirsch, meanwhile, is magnetic. Almost any role is sentimental, but Willy Loman is a good man profoundly hurt again and again. With his rapid patter and quick anger, he is the salesman on frantic overdrive, still refusing to believe his self-delusions.

Winnipeg audiences have been quick to rise to the occasion for Willy Loman's last stand. Surely the tragedy of a man whose life work has become a poor substitute for a life drinks a more potent chord in the mass-culture 1990s.

RANDAL McLENNON

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Allan Fotheringham

The cloud over Bill Clinton's second term

America, for reasons known to it alone, insists on inaugurating its presidents under the most uncomfortable circumstances attainable. Instead of blustery summer, or romantic spring, the authorities force the accented one to stand bone-headed at January chill and repeat the required oath.

The locals, this time, naturally blame the cold spell—the outdoor rink in front of the Willard Hotel on Pennsylvania Avenue frozen stiff—so the usual boring cold front coming down from Canada. Visitors from north of the border are even looked on suspiciously, bearers of the low temperatures.

We bear the abuse stoically, wondering only about the dichotomy that marks the attitude of the only superpower left on the globe, where the riches cannot even be counted. Such are the precautions about the office of the president, all the available corners along the inaugural parade route from the Capitol to the White House reviewing stand have been welded shut for four territories—from Miami* will spring for it to do damage.

Precautions? This January we have gone further. All the hot dog stands that speckle downtown Washington have been banned from the parade route—their propane tanks regarded as too dangerous and possibly accident-prone. The dichotomy? One block off Pennsylvania, there is a large block of stores coming from a clump of clothing at 300 in the afternoon. It turns out to be two black men sleeping over a grate that would seem to be their natural habitat. No one notices the difference between the millions spent on security for one man and those on the street grates, a feature of the town.

The rich? At Ronald Reagan's second inaugural, such were the flood of lobbyists and shoving hand-outs from Orange County and Texas and Florida stretch limos had to be imported from Philadelphia and New York to handle the phalanx of limos.

The inaugural Ball at the Kennedy Center overlooking the Potomac was greeted by the worst snowstorms of the decade. It was stretch limo-grudgic, the backup reaching to the chaos created by the ladies attempting to remove their coats from the clogged queues at the entrance. Next morning, closing women discov-



ered 21 abandoned stiletto coats—their owners having fled in haste—thence back to San Diego and Miami, no doubt filing their "stolen" items on their insurance forms.

Dichotomy? The most powerful man on earth in his stirring address that searches for his place in history, told eloquently how Clinton will face his country across the bridge leading to the 21st century. He speaks bravely, almost bravely, almost as much a shrewd showman as Churchill, as Roosevelt, almost with the attractiveness of Kennedy.

At the same time, the great and good justices of the U.S. Supreme Court are pondering—until June—the most bizarre scenario ever to encounter a world here. Whether a female with big hair is lying or not in claiming that this man with the bare head on the Capitol steps dropped his pants in a little Rock hotel room; and, she claims, she has the memory of certain genital neoconformities that she can recollect.

The Whitewater nonsense is nothing. The American public has long since lost interest in the continuing misrule of bawling-out and intrigue. The waters looked at the worst campaigner of all time, Bob Dole, and decided that Clinton, for all his addle-chasing reputation, was the better bet.

Now, the final rounds of the nation—the court that once was adorned by Felix Frankfurter, Oliver Wendell Holmes and other greats—is being asked to rule on the dispute on whether a president, long before he was a president, dangled his dangle before a state government clerk he had never been introduced to.

The sophisticated satirists of Paris think shake their heads in wonder. The weary cynicism of Britain must that their former colony remains a colony America is no ruffian in the marketplace, but no so in public service. Richard Nixon, long after The Watergate Plot revealed the first unbelievable tales of the Watergate blemish, was re-elected by the American public with a massive mandate. He was discovered later to be a fond-mouthing bigot and twisted paranoid who didn't give a fig for the law.

Washington is now going to settle down and wait to see if this two-time president is indeed a two-timer and whether what he did as a governor of Arkansas long ago has anything to do with leading the world order into only acknowledged chaos.

It's a crazy situation, as most everything is there. The nation that demands that China must embrace democracy, that Israel and Palestine must live and coexist, that time as told in the former Yugoslavia must be brought before war crimes tribunals, is established by a seignior story that has all the impact of an O.J. trial.

Agatha Christie couldn't make it up. In the Fleming in his epic James Bond novels wouldn't have tried it. Sherlock Holmes wouldn't even touch it. And America, master of all surveys, hangs on this very edge.



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